هكذا من الأصل

Austria ... Sch. 18	Indonesia ... Rp 2500	Portugal ... Esc 80
Bahrain ... Din 0.650	Italy ... L 1300	S. Arabia ... Rls 6.00
Belgium ... BFr. 38	Japan ... Y550	Singapore ... S$ 4.10
Canada ... C$2.00	Jordan ... Fils 500	Spain ... Pta 110
Cyprus ... C£0 60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... Dkr 7.25	Lebanon ... L£ 6.00	Sweden ... Skr 6.50
Egypt ... E£1 00	Luxembourg ... LFr. 38	Switzerland ... SFr 2.20
Finland ... Fmk 6.00	Malaysia ... Rin 4.25	Taiwan ... NT $85
France ... FFr 6.30	Mexico ... Pes. 300	Tunisia ... Din 0.800
Germany ... DM 2.20	Morocco ... Dh 6.00	Turkey ... L 210
Greece ... Dr 78	Netherlands ... Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong ... HK$ 12	Norway ... Nkr. 6.00	U.S.A. ... $1.50
India ... Rup. 15	Philippines ... Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,571 — Monday March 11 1985 — D 8523 B

Gonzalez puts links with Algeria to test, Page 2

World news

Suicide car bomb kills Israeli soldiers

At least 10 Israeli soldiers were killed and a dozen more wounded in a suicide car bomb attack on an army lorry in south Lebanon by a border crossing to the Israeli town of Metulla.

The car, packed with explosives, was apparently driven by a Shia Moslem seeking revenge for Friday's car bomb attack that killed more than 80 people in a Shia district of Beirut.

At least 16 other *attacks* were made on Israeli positions at the weekend, one of which left five Israeli soldiers wounded. Page 3

Cities attacked

Iraq said its warplanes hit two cities in Iran and attacked a naval target in the Gulf as Iran continued shelling Basra in southern Iraq. Iran said its aircraft had also bombed Iraqi installations and towns.

Polish crackdown

Travel restrictions were imposed on Solidarity leader Lech Walesa and Polish police detained activists from an anti-Soviet group in a fresh crackdown on opposition. Page 2

Moscow talks

French External Relations Minister Roland Dumas was due to arrive in Moscow for two days of talks with Soviet Foreign Minister Andrei Gromyko.

Geneva arms talks

Mr Paul Nitze, *the Reagan Administration's* senior adviser in the Geneva arms control negotiations due to *re-open tomorrow*, said the Soviet Union was seeking a monopoly of strategic space defence technology by trying to make the U.S. unilaterally abandon its "star wars" anti-missile programme. Page 2

Top guerrilla 'killed'

General King Men, a top Kampuchean guerrilla commander, was reported killed in a Vietnamese attack on his base near the Kampuchea-Thailand border. Thailand spurned peace moves by Vietnam as fighting contiued.

Mubarak peace plan

President Hosni Mubarak of Egypt, *who is to have talks in Washington* with President Ronald Reagan tomorrow, is to ask for a more active U.S. role in the search for Middle East peace.

Martial law stays

General Zia ul-Haq revived most of Pakistan's suspended constitution *but said martial* law and a ban on political parties would continue. A Rawalpindi military court jailed five dissidents for plotting against the Government but acquitted 13 other people.

Kampuchea hopes

Australian Foreign Minister Bill Hayden, on a tour of South East Asia, said Thailand had asked him to continue his efforts to bring peace to Kampuchea despite the setback caused by Vietnamese incursions into Thai territory.

Buhari warning

Nigerian leader Major-General Buhari said his country's rising debt must fall before the country could return to civilian rule.

Turkish clash

Eight separatist Kurdish guerrillas, two soldiers *and* a *passer-by* were killed in a clash near Diyarbakir, eastern Turkey.

U.S. aid for Mali

The U.S. is to grant Mali, one of the world's 10 poorest nations, *$18m in* additional aid over three years.

Shooting joke theory

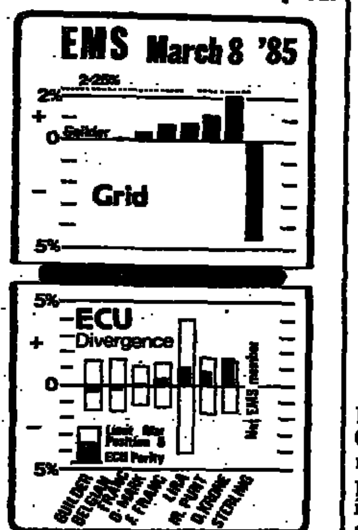
Detectives hunting two gunmen who *shot* at Air Marshal Sir Patrick Hine, a senior officer of Nato and of Britain's Royal Air Force, in West Germany *said* they were investigating whether the incident was a vicious joke.

Business summary

Tax cuts 'possible' in UK budget

UK Chancellor of the Exchequer Nigel Lawson has scope for tax cuts of between £1.5bn and £2bn ($1.6bn and $2.08bn) in his budget next week, London analysts believe. Page 12; *Growth forecast*, Page 6

EUROPEAN Monetary System: Currencies showed little change within the EMS as attention remained focused on the performance of the dollar. The Dutch guilder was *against* the weakest currency but



remained comfortably within its divergence limits. Once more, the dollar's overall strength against the D-Mark enabled traditionally weak currencies to show a *slightly* better overall performance.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

GREECE has selected the small town of Vounihora, north-west of Athens, as the *site of a $450m* alumina production plant, to be built with Soviet assistance. Page 4

THE NEW YORKER, one of the most influential literary magazines in the U.S., is being taken over in a $167m agreed cash bid by Advanced Publications, a broadly-based publisher of books, periodicals and newspapers. Page 15

AMERICAN Natural Resources, the Detroit-based oil and natural gas company, *is to consider a* variety of proposals designed to fight off the $2.3bn takeover offer from Coastal Corporation, the Texas energy group. Page 15

MR CHARLES E. HARWOOD surprised *executives of Signetics* Corporation, the Silicon Valley semiconductor manufacturer owned by Philips of the Netherlands, by tendering his resignation as president. Page 15

ADELAIDE STEAMSHIP Company, the Australian diversified investment group, has registered a 25.5 per cent *increase in first-half* net profit to A$27m ($18.6m).

FRAMATOME, the French nuclear reactor *manufacturer, seeks to* take control of Société Internationale de Dessalement, the country's leading manufacturer of desalination units as part of its overall diversification policy.

ITALCABLE, the publicly-quoted company which handles Italy's overseas telecommunications, boosted net profits by 78 per cent to L44.7bn ($20.9m) last year.

PETROMIN, Saudi Arabia's state-*owned oil company*, and Mobil Oil are to build a 1.5m-barrel-a-year plant in Yanbu to produce base lubricating oil. Page 4

TALBOT UK has sent a senior executive to Iran in an attempt to complete a *deal bartering oil for* knock-down car kits to cover the company's £130m ($138m)-a-year contract. Page 4

CHRISTIANA BANK, Norway's second largest commercial bank, reported a 43 per cent increase in total assets last year to NKr 46.4bn ($4.77bn) but lower profitability reflecting *its acquisition of* Fiskernes Bank. Page 15

Apple Computer may face a bruising fall in Silicon Valley

BY LOUISE KEHOE IN SAN FRANCISCO

APPLE COMPUTER appears to be heading for a bruising fall. The Silicon Valley personal computer company's decision to close its factories for a week reflects problems that run much deeper than a post-Christmas market slowdown. Lagging sales could leave Apple with little or no profit in the current quarter.

Despite record sales of $698m in the last quarter of 1984, Apple's sales will fall to $425m – $445m this quarter, predicts *Ms Michele* Preston of L. F. Rothschild, Unterberg, Towbin. She expects earnings of zero to 25 cents, down from 75 cents in the Christmas quarter.

Apple blames its slowing sales on *industry-wide market softness*. But competitors, industry analysts and retailers contest Apple's view.

"This is an Apple problem, not an industry-wide problem" says Dr Egil Juliussen, chairman of Future Computing, a research company that tracks retail personal computer sales on behalf of major manufacturers.

January and February sales have been "consistent with our expectations," said Computerland, the largest U.S. computer retailer with 500 stores. "We do not see a general softening."

"Personal computer sales remain strong through the first quarter," said an IBM official, commenting on Apple's announcement.

According to Apple, retail sales slowed down as early as the second week in December. Mr Del Yocum, *executive vice-president and* general manager of the Apple II division, said: "Dealers ordered substantial quantities in October and November when the market was very strong." In December they automatically assumed sales would continue to grow and ordered accordingly. "But when retail sales softened, they were left with a lot of machines on their hands."

The one-week production shut down may not be enough to solve the inventory glut. "I'm not going to speculate on what the next step will be, but there is nothing to tell us this is anywhere near over," Mr Yocum admits.

Apple's picture of overstocked retailer dealers does not match the findings of market researchers. Future Computing's monthly poll, *which includes responses from* 400 U.S. Apple dealers, shows that in January the retailers were holding "very slightly higher than normal" stocks of Apple products. "They have about four weeks of inventory ... less than in December," says Dr Juliussen. "The inventory is not with the dealers, so Apple must have it," Dr Juliussen concludes.

Apple's primary problem is, however, competition – in particular, IBM, which dominates the business market for personal computers and is making inroads into the consumer sector. IBM is expected to increase its competitive pressure on Apple this year with the introduction of at least two new personal computer models. Apple says it has no new computers to unveil this year.

Apple's one-year old "Macintosh" computer has not lived up to the company's expectations. Apple has sold an estimated 20,000 units per month, far below its target rate to sell half a million machines this year.

Apple admits that Macintosh has not yet been *recognised* as a business computer and the company plans to spend more than $50m on advertising to try to change that perception this year.

Increasing competition in the "high-end home computer market"

Continued on Page 12

Shape of computers to come, Page 7

National Semiconductor, one of the leading microchip makers in the U.S., has announced that from March 18 all of its 21,000 U.S. and European employees *will be working a four-day week.* National has a production plant at Greenock in Scotland and a distribution centre in West Germany.

In addition, the company *which is troubled like most chipmakers* by the dramatic downturn in demand, has dismissed the 400-strong workforce of its Salt Lake City plant in Utah.

In February, National shut down its production lines for two weeks and planned another *closure for April. This scheme has* been modified in order to lessen the loss to employees, said Mr Charles Sporck, the president.

About half of National's worldwide workforce is in the U.S. and Europe.

U.S. semiconductor market, Page 10

Greek President quits after Papandreou withdraws support

BY ANDRIANA IERODIACONOU IN ATHENS

MR CONSTANTINE Karamanlis, Greece's Conservative President, resigned yesterday following a surprise decision by the ruling Socialist Party (Pasok) on Saturday not to support his candidacy for a second five-year term in office. The Greek parliament *is* due to elect a new president on March 15.

The decision represents a turn to the *left by Dr Andreas Papandreou's* Socialist Government, which will have to rely on the support of *the pro-Moscow Communist opposition* in order to secure the required three-fifths majority in the 300-member parliament to elect its own candidate for President.

The Socialists hold 165 seats and the Communist Party (KKE) 13. The Government will also be relying on some support among the 10 independents.

In a sombre resignation statement Mr Karamanlis said he was quitting his post "in view of possible developments in which I cannot be a participant." This was interpreted as a veiled reference to possible *political shifts in Greece under a tacit* Socialist-Communist alliance.

According to the Greek constitu*tion the President of Parliament* will take over acting presidential duties until Friday's election for a replacement to Mr Karamanlis.

The decision not to support Mr Karamanlis caught even many senior Pasok members unawares when it was made known by Dr Papandreou during a meeting of the party's central committee on Saturday morning.

He justified his decision by saying that he intended to push constitutional reforms through parliament to reduce the presidential powers introduced by Mr Karaman*lis in 1975, after the collapse of the* colonels' junta.

These powers, originally con*ceived to prevent a return to dicta*torship, allowed Mr Karamanlis to be seen as a guarantee of moderation since the Socialists came to power on an anti-EEC and anti-Nato platform in 1981.

Until the weekend, Dr Papandreou was widely believed to be set to support Mr Karamanlis – and to have given the President personal assurances to that effect – in a new moderate alliance with the Conservative New Democracy Party, *Greece's main opposition group*.

This was seen as part of a general softening of policy, designed to win important centrist votes in the next general elections, which must be held by October.

The Prime Minister reportedly changed his mind during all-night deliberations on Friday, in which mounting reaction from the left-wing of Pasok, including telegrams from party committees in the provinces, persuaded Dr Papandreou *that it would be politically wiser to* dump Mr Karamanlis.

The President, who served as Prime Minister from 1955 to 1963 – the period which saw Greece's emergence as an American ally, following the defeat of the Communists in the 1945-49 civil war – is regarded by the radical Greek left wing as the unacceptable face of the right.

The candidate nominated by Pasok for the Presidency played a *prominent role in the Karamanlis* period. He is Mr Christos Sartzetakis, aged 56, a respected centre liberal, who won a reputation for political independence as the chief investigator of the killing in 1961 of left-wing deputy Gregoris Lambrakis, as pictured in the film "Z."

Mr Sartzetakis accepted the nomination, which he called "an honour," and also "a surprise."

If he does not win the necessary majority, parliament must be dissolved in preparation for early general elections.

On Saturday, the KKE hailed the Pasok decision not to support Mr Karamanlis as "a positive response to the democratic feelings of the Greek people."

The Communists, who have been leading widespread strikes over the past weeks, partly in protest against "the Pasok-New Democracy front" in the presidential elections, are to decide this week whether to support Mr Sartzetakis.

The Conservatives warned that the Pasok decision would lead *Greece into a "critical and dangerous* period in its history." They pointed out, however, that the decision "makes the political picture clear. The lion's skin has fallen."

Editorial comment, Page 10

Right gains in French local elections

By David Housego in Paris

FRANCE'S ORTHODOX opposition parties appeared close last night to obtaining a majority of the votes cast in Sunday's cantonal (local) elections, according to early computer forecasts.

The forecasts gave the neo-Gaullist RPR and the centrist UDF, together with other independent and right-wing formations, some 50 per cent of the votes. Translated into parliamentary terms, this would have probably been sufficient to have given the orthodox French right wing a majority in the national assembly.

M Jean-Marie Le Pen's extremist National Front which campaigned on racialist issues won 8 per cent of the vote on computer forecasts, meaning that the right scored 58 per cent of the poll.

The National Front's score was down on the 11 per cent they won in the European elections of June last year. But they were only represented in three quarters of the cantonals that went to the polls yesterday and the cantonal elections tra*ditionally favour established* local figures.

Abstention was a relatively low 33 per cent of the electorate, indicating the importance of the poll which is seen as a run-up to next year's parliamentary elections. Only 1,954 or half the French cantonals were involved in yesterday's vote.

The Socialist Party was given 26 per cent of the vote, according to the computer forecasts – an im*provement on its performance* in

Continued on Page 12

Outright victory for SPD in Saarland poll

BY RUPERT CORNWELL IN BONN

WEST GERMANY'S Social Democrats (SPD) last night won an outright victory in the important Saarland election, toppling from power the Christian Democrat/Free Democrat coalition which had previously ruled the state.

The election saw an unexpected setback for the radical Greens, the first of its kind since their advance gathered momentum in the early 1980s.

The outcome is a personal triumph for Herr Oskar Lafontaine, the Left-wing-mayor of Saarbrücken, the Saarland's capital, who will become the first SPD premier in the history of one of the country's smallest and most impoverished states.

His success eclipsed even the surprisingly strong showing of the liberal FDP which, it had earlier been asserted, *might fail to clear the* 5 per cent hurdle essential for seats in the new regional parliament. In*stead the FDP, on the basis of* incomplete results, managed to boost its 6.9 per cent share of the vote in 1980 to more than 10 per cent.

The extra support came, however, entirely at the expense of its *Christian Democrat (CDU) allies.* Given the failure of the Greens to exceed the 2.9 per cent they won five years ago – they seemed likely to win no more than 2.7 per cent – the SPD should secure an outright 26-seat majority in the 51-seat assembly in Saarbrücken.

The change of power in the Saarland also overshadowed yesterday's election for a new city parliament in West Berlin, where the outgoing CDU-FDP coalition, led by Christian Democrat mayor Herr Eberhard Diepgen, comfortably retained power.

Once again the Free Democrats ensured *their survival*, – *with* the bulk of votes counted, they had won over 7 per cent of the vote. Most striking, however, was the collapse of the SPD, to only 33 per cent compared with 38.3 per cent at the last election in 1981.

The lost support went overwhelmingly to the far left Alternative Lists candidates, who gained some 4 per cent to around 11 per cent of the vote.

The setback for the Greens in Saarland is a resounding vindication of the strategy of Herr Lafontaine, who had insisted he would ac*cept nothing short of full coalition* with the Greens to produce a left-wing Government capable of tackling the *massive problems facing* the state, where unemployment now tops 14 per cent.

In the event – helped by the lacklustre record of the outgoing state premier, Herr Werner Zeyer of the CDU – he apparently persuaded the electorate to cast their lot for him. The SPD's share of the Saarland vote jumped to around 48 per cent from 45.4 per cent in 1980.

The Christian Democrats seemed set to retain by a tiny margin, their overall majority in the Frankfurt city hall itself.

GTM-Entrepose and Bechtel battle for $500m pipeline deal

BY PAUL BETTS IN BOGOTA

A FIERCE battle for a $500m oil pipeline contract in Colombia is reaching a climax. It pits GTM-Entrepose, the civil engineering subsidiary of the French Vallourec *steel group, against* Bechtel of the U.S.

Sr Jose Barake, the interim *chairman of* Ecopetrol, the Colombian state oil company, said Ecopetrol was expected to award the contract at a board meeting today.

Oil industry and banking officials in Bogota said, however, the decision could be postponed again because of the intensity of the competition. Ecopetrol failed at three board meetings last week to choose a *winner*. Sr Barake said the competing groups were cutting their bids "by $50m to $70m" to try to win the deal.

The fight for the contract eloquently reflects the intense competition that has developed in the oil services and civil engineering industries following the collapse of international oil prices.

The current *bid involves the con*struction of the second portion of the 800 km pipeline linking the Ca*no Limon* oilfield discovered by Occidental Petroleum to the Caribbean. This portion involves the remaining 500 km stretch over the Andes to the sea.

The first part is being built by Mannesmann of West Germany.

The Cano Limon oilfield in the Colombian Llanos, or flatlands, near the Venezuelan border, is one of the biggest *new finds* in recent years. Although Occidental puts the reserves at 1bn barrels, the Colombian Government is estimating them more conservatively at 600m barrels.

The Government wants the pipeline to be completed in the next 14 months to enable Colombia to start exporting oil again by the second *half of next year. Oil exports* ended in the early 1970s. Sr Ivan Duque Escobar, the new Energy Minister, said he expected Colombia to export 10,000 barrels a day (b/d) next year, rising to 97,000 b/d in 1987. The exports will help ease Colombia's foreign exchange problems.

The development of the new oilfield, coupled with the construction of the pipeline and other *facilities*, involve a total investment of about $1.7bn. The pipeline and port terminal accounts for about $700m of the overall cost. The cost of the pipeline is shared equally between Occidental and Ecopetrol. Each also has a 50 per cent share in the oilfield.

Until a few months ago, Bechtel appeared set to win the contract for the second portion of the pipeline, according to finance and industry sources in Bogota. GTM-Entrepose *has fought back, however, putting* together with the help of its lead French bankers – the state-owned Credit Lyonnais and the French foreign trade bank, EFCE – a competitive financing package including export credit guarantees from Coface, the French export credit body.

GTM-Entrepose has also agreed to drop a $10m claim against Ecopetrol on an earlier project to improve its chances to win the new contract.

Bogota officials expect Ecopetrol will ultimately decide to share the contract between Bechtel and the French company. They said that another bid by the French Stie Capag concern had slim chances of success. Mannesmann, which has had severe problems with the construction of the first portion of the pipeline, including the kidnapping by guerrillas of one of its engineers, also made an initial partial bid for the second portion.

Colombia is also going ahead with another pipeline project across the Andes to link the oilfields of Elf Aquitaine of France and Ecopetrol *in the flatlands to the big refinery* of Barrancabermeja in the centre of the country. This involves a $150m

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CONTENTS

Gonzales puts Algerian links to test

BY FRANCIS GHILES IN LONDON AND TOM BURNS IN MADRID

A HIGH-POWERED Spanish official visit to Algiers, which starts on Monday, will test, once again, the complex and often vexed relations between the Government in Madrid and its southern neighbours.

Sr Felipe Gonzales, Prime Minister, accompanied by Sr Fernando Moran, Foreign Minister, and Sr Luis de Valasco, Minister for Trade, will travel to Algeria in the wake of the recent settling of the long dispute between the two countries over Spanish imports of Algerian natural gas.

The visit is an attempt to get relations between Spain and its two southern neighbours, Morocco and Algeria, on to a "global" basis, as Sr Fernando Moran put it to the foreign relations committee of the Senate in Madrid last week. Historically Madrid has played one country off against the other. Until recently, Spain has tended to look to the nations across the Mediterranean as enemies and has felt more comfortable when they were at loggerheads.

Sr Gonzales' visit to Algeria is expected to rekindle trade relations which have been rather frosty during the past two years. Last year Spain is estimated to have lost at least one third of its expected $1bn (£952m) plus exports of goods and services to Algeria.

Spanish leaders are also keen to foster friendlier relations with Algeria following the signing of a treaty of co-operation last August between Morocco and Libya.

More friendly relations with Algeria, whose President, M Chadli Bendjedid is expected to pay a state visit to Madrid later this year, must also be seen against the background of difficulties Spain is encountering in its relations with Morocco and Libya.

Spanish contractors are experiencing delays in payments from Libya which Sr Moran estimates at $80m. Disagreement over the extent of Libyan debts has led to the shelving of new contracts.

The surprising and embarrassing visit Colonel Gadaffi paid to the Balearic islands just before Christmas further complicated matters. After private talks with Sr Gonzales, the Libyan leader told the Spanish Press that the Spanish-held enclaves on the Moroccan coast, at Ceuta andMelilla, were Arab cities.

The recent talks between Spain and Britain over the future of Gibraltar led King Hassan of Morocco to remind Spain that he considered the two cities to be Moroccan. The King's interview with Spanish television two months ago, which sought to link the eventual recovery of Gibraltar by Spain to Morocco's claims on Ceuta and Melilla, was censored.

Relations between the two countries are not helped by Spain's support for a referendum on the issue of self-determination in the Western Sahara.

The territory which for nearly a century was a Spanish colony, was occupied by Moroccan forces in November, 1975, and causes bitter conflict between Morocco, Algeria and the Polisario Front

This has not prevented joint military exercises between Spanish and Moroccan armed forces—the latest of which was held last October. However, both sides are as discreet as possible about such activity and a visit King Hassan planned to pay to Madrid later this year has been cancelled.

Meanwhile, Spain is left with what remains—so long as Algeria and Morocco are in conflict—as a difficult juggling act.

Moscow 'seeking Star Wars monopoly'

By Reginald Dale, U.S. Editor, in Washington

MR PAUL NITZE, the Reagan Administration's senior arms control adviser, yesterday said that the Soviet Union was seeking a monopoly of strategic space defence technology by trying to make the U.S. unilaterally abandon its Star Wars anti-missile programme.

Two days before the opening of the Geneva arms talks, Mr Nitze added, however, that Soviet threats against Star Wars should be taken with a grain of salt. Moscow had had a comparable programme for many years, he said.

Once the U.S. has demonstrated that the Soviet Union was not going to be allowed offensive superioty, Moscow would see the need for a "sensible" agreement. Failure to control the arms race would create greater problems for the Soviet Union than the U.S., he said in an ABC television interview.

Mr Nitze outlined three phases for introducing Star Wars technoloy so as to reach the ultimate goal of the "retirement" of all nuclear weapons. In the first phase of 10 years or more, the two superpowers would have to continue to rely on the threat of nuclear retaliation for deterrence while defensive research proceded. There could be no negotiated limits on research.

The second phase would involve the transition from strategic offence to defence. The third phase would come after research had shown what weapons could feasibly be deployed. The development would then be negotiated by both sides.

EEC farm ministers prepare for fight over price freeze proposals

BY QUENTIN PEEL IN BRUSSELS

EEC farm ministers are today set for their first major battle over the European Commission's proposals for a virtual freeze on fram prices in the coming year because of the huge surpluses being produced in most sectors.

Plans for real price cuts for cereals, amounting to some 3.6 per cent, and fruit and vegetables, down by an average six per cent, are likely to set off the most bruising clashes between ministers committed to defending the interests of their producers.

Quite apart from their own differences, they will be meeting next door to a full Council meeting of EEC finance ministers set on reminding them of the severe budget restraint necessary for agriculture, the single most expensive part of Community policy.

However, the farm ministers look close to settling a financial package for the other major pillar of EEC agricultural spending, the structural fund which provides grants and subsidies for investment in infrastructure and equipment, training and specific schemes for supporting the most marginal farmers.

Officials expect a five-year structural programme totalling between Ecu 5bn and Ecu 5.5bn (£3-£3.3bn) to be approved with the blessing of the finance ministers, who have insisted on having a say in the spending for the first time.

The importance of the structural fund is that it could increasingly replace price support as the main arm of EEC agricultural policy as budget pressures force ever more restrictive price packages. The balance between the two arms of spending is likely to be a major subject in the overall debate on the future of the Common Agricultural Policy being launched by Mr Frans Andriessen, the Farm Commissioner, in the course of the year.

This year's prices package underlines once again the pressures on farm ministers, with Britain and West Germany, for example, at loggerheads on the question of cereal prices.

Mr Michael Jopling, the UK Agriculture Minister, will argue again today that the 3.6 per cent price cut is actually too modest, with 1984 production levels justifying a cut of at least 5 per cent. Herr Ignaz Kiechle of West Germany, however, is calling for a possible price increase in that sector, in order to protect the interests of German cereals producers.

Greece and Italy are the opponents of the fruit and vegetable price cuts, put forward by the Commission because of the continuing need to destroy huge tonnages of output, including citrus fruit and tomatoes.

Greece could also upset agreement on the structural fund because it is looking for an injection of extra money as part of its promised Integrated Mediterranean Programmes.

This week's farm ministers' council meeting represents the first real debate on the prices issue, with the major price fixing meeting scheduled for the end of the month.

The proposals for all the most contentious products—including dairy products, sugar and wine, as well as cereals, fruit and vegetables—are on this week's agenda, although other items such as beef and sheep meat still have to be examined at a later date.

Singapore budget reduces tax burden on companies

BY OUR FOREIGN STAFF

THE SINGAPORE Government has introduced a budget aimed at reducing the tax burden on local companies and stimulating faster development of the country's buoyant offshore banking and tourist industries.

Mr Tony Tan Keng Yam, Finance Minister, announced a series of measures which he said were designed to make life easier for companies at a time when the country's economic growth rate is expected to slow.

He said real growth in fiscal 1985, starting on April 1, is likely to be lower than the 8.2 per cent recorded last year. It was essential to "make sure that costs of operating a business are not unnecessarily inflated by other indirect taxes, tariffs and fees."

The moves to help Singapore companies include:

- Payroll tax—2 per cent of gross salary payments—is to be suspended from April.
- Contributions to the skills development fund, aimed at providing incentives for companies to upgrade their workers' skills, are to be halved to 2 per cent of gross salary for workers earning up to S$750 (£310) a month.
- Wage increases are to be kept below the 8 to 12 per cent range of last year.
- Compulsory contributions to the Government's pension fund scheme, the Central Provident Fund, are to be frozen

In a bid to further encourage the development of Singapore's fast-growing fee-based banking services, the Finance Minister reduced taxation on four types of offshore banking income to 10 per cent from 40 per cent.

Turkey revises trade deficit figures downwards

BY DAVID BARCHARD IN ANKARA

TURKEY'S trade and current account deficits over the past three years are narrower than was previously supposed, the central bank announced at the week-end.

Central bank officials said procedures for calculating Turkey's balance of payments had been revised. They showed that imports were below the levels previously supposed while transit trade was higher, with the result that the 1984 current account deficit, widely believed to have been disappointingly high, was in fact $542m (£511m) lower than at first thought.

Turkey's trade deficit last year is now thought to have been $2.96bn, well below original estimates of around $3.5bn.

The 1984 current account deficit, originally thought to have been around $2.1bn, is now put at $1.4m. The 1983 current account deficit has been revised downwards to $1.8bn instead of the previous $2.1bn.

In 1985 the trade deficit is now expected to be $2.6m and the current account deficit is targeted at $1.01m.

Payments of principal and interest on foreign debt are expected to be around $3.3bn in 1985.

News that Turkey's external payments position is less bad than was believed is likely to help the Government in its search for loans from the international banks.

Turkey is expected to continue borrowing in the medium term to support its balance of payments deficit.

UK urges milk quota leases

BY ANDREW GOWERS

BRITAIN is planning to press the European Community to make milk quotas more flexible by allowing farmers to lease production quotas to one another.

The move will be discussed by EEC farm ministers in coming weeks and is likely to encounter some opposition in Brussels and in the UK.

The British Ministry of Agriculture believes that leasing is the best practicable means of making quotas less rigid, a problem which has caused mounting criticism of the EEC scheme from UK dairy farmers.

At present, quotas can only be transferred if farmland is sold. Although some British dairy farmers have found ways round that rule, they are generally cumbersome and expensive.

In the British view, this inflexibility poses a substantial obstacle to maintaining the efficiency of the dairy industry by preventing entrepreneurial producers from expanding and impeding those who are less efficient or who want to give up dairying.

Farmers' organisations and the Milk Marketing Board, arguing that quotas are a capital asset with a clear value, have been pressing for some time for permission to buy and sell them openly — a desire with which the ministry has expressed some sympathy in principle.

"It is arguable that quotas should be as freely marketable as cows," it said in a discussion document published in January.

But other EEC member states and the European Commission are opposed to this plan. The fear in some member states is that a free market in quotas would unfairly benefit large efficient producers in prosperous regions who would be able to expand at the expense of small family farmers.

Whitehall, sensing that sale and purchase of quotas would almost certainly be vetoed in Brussels, now appears to have concluded that the leasing option stands a better political chance.

Meanwhile, it emerged in Brussels that West Germany is informally canvassing a plan which would significantly dilute the existing quota arrangements.

As things stand, EEC milk production is to be cut automatically by a further 1 per cent in April, following the 7 per cent reduction called for almost a year ago in an effort to curb the Community's butter and milk powder mountains.

But Bonn is understood to be suggesting that the quotas should not be cut. Instead, it says, the Community should buy up an equivalent amount of quota by paying farmers to quit milk production. The idea has met with hostility in most other EEC capitals but may well resurface during this year's Community farm price review, which starts today.

Solidarity calls for wages campaign

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S Solidarity underground leadership (TKK) has told its supporters to prepare a campaign of rallies, demonstrations and strikes in support of wage demands to compensate for food price rises being introduced over the next four months.

The call came as Mr Lech Walesa, leader of the banned movement, was questioned again at the weekend by State prosecutors and told he must notify the authorities each time he leaves his home town of Gdansk.

Another sign that the Government is stepping up its drive against the opposition and is ready to let the number of political prisoners grow, came as the police broke up a meeting of the leadership of the nationalist KPN group.

Among those taken into custody was Mr Leszek Moczulski, the KPN leader who was arrested in the autumn of 1980 and held until last summer, when he was released under the amnesty for political prisoners.

Solidarity underground leaders have told their members they should be demanding increases of Zl 2,000 (£13) a month to make up the food price rises. This represents an immediate rise of 11 per cent on the average monthly wage while the Government was planning that wages would rise over the year by no more than 13 per cent.

The TKK has called for factory shopfloor rallies on April 1 to coincide with the next round of food price increases, demonstrations on May 1 and a strike in June should the wage demand not be met.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $420.00 per annum. Second class postage paid at New York NY and at additional mailing offices. POSTMASTER: send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

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Japan prepares a new generation of colour televisions

TOKYO – Japan, the world's top exporter of televisions, is working on plans which will send the present generation of television sets to the rubbish heap.

Engineers in Japan's electronics industry say today's standard colour television sets will be replaced by new ones offering better picture clarity and a host of gimmicks.

The biggest early change is coming with digital television sets.

These take incoming broadcast signals and convert them into the kind of digital signals computers use to relay information. In this form, the intelligent set can spot ghosting, fuzzy lines and static and remove them, providing a clearer picture.

Digital televisions would turn a home television set into an entirely new entertainment system, said Mr Takehiko Kato, general manager of the Toshiba Corporation's video products division and one of Japan's leading television scientists.

Viewers can freeze frames, zoom into close-ups and even run one television channel picture in a small screen in the corner of the main picture to watch two stations at the same time.

At present, digital sets are slightly more expensive than conventional ones. But once mass production starts they will be cheaper, produced with a handful of large integrated circuits rather than the hundreds of components today's sets require.

Aleady in Japan there had been a slowdown in conventional colour television production, and the digital television was starting to take its place, said Mr Kato. In the next five to 10 years, viewers will move from present models to digital television much in the same way as they moved from black-and-white television to colour.

Even as Japan goes digital, some Japanese companies are planning the next move, to high definition television.

These sets can produce pictures as good as those in a cinema, and engineers in Japan say they will be the key element in the next generation of television sets.

But there is a snag. They use a different system of broadcasting which means that, if they are ever to be internationally popular, television stations all over the world will have to re-equip.

The high-definition sets cannot accept the signal sent by the conventional broadcasting system because they operate on 1,125 lines, compared with the present 625 lines in Europe and 525 in Japan and the U.S.

Japanese television makers, competing hard for both home and export markets, have announced a number of new products.

Mitsubishi Electric has announced the development of a colour video printer which can instantly print out the picture on a television screen.

Mitsubishi already offers a black-and-white video printer, but company officials say they are not sure when the colour printers will be available for sale to the public.

Matsushita Electric, maker of products under the National brand, says it has devised an experimental three-dimensional television set with a 14-inch screen which pulls together images from five camera angles.

Sanyo and Matsushita have announced flat-screen televisions for hanging on walls like pictures, and Matsushita has an experimental wide-screen colour set which uses the liquid crystal normally seen in digital watches.

Sets are still getting smaller thanks to the advance of the microcircuit. Hattori Seiko is marketing a two-inch colour set.

At the other end of the spectrum comes Japan's largest television, Sony's Jumbotron at a science park near Tokyo. It has a screen as big as an Olympic swimming pool and can be watched comfortably from 200 yards away.

Reuter

Suicide car bomb kills 10 Israelis

A SUICIDE car bomb attack on an Israeli army truck in southern Lebanon yesterday killed at least 10 Israeli soldiers and wounded a dozen more. The explosion occurred beside the border crossing point near the Israeli town of Metulla, **David Lennon writes from Tel Aviv.**

The car was apparently driven by a Shi'ite Moslem fanatic seeking revenge for the massive car bomb which killed over 80 people in a Shi'ite area of Beirut on Friday. Yesterday's attackers rammed a white Mercedes packed with explosives into an open-sided army truck carrying dozens of soldiers. A number of nearby vehicles using the crossing-point were set ablaze.

This is the most serious attack on Israeli troops in Lebanon in recent months and the military are worried that they may be facing a spate of almost unstoppable suicide attacks.

Various Lebanese factions have warned that they would use car bombs to avenge Israel's "iron fist" policy towards the Shi'ites living under Israeli occupation in the south.

Cities bombed in Gulf War

Iraq yesterday attacked eight Iranian cities—including Isfahan in the interior—with bombs and missiles, as attacks on civilian targets by both sides spiralled, **our Foreign Staff writes.** Iran said it had raided two targets inside Iraq, inflicting heavy damage and casualties.

The official Iranian news agency, Irna, put yesterday's death toll from Iraqi attacks at about 130, bringing hte total since last Monday to 525. Baghdad was silent on the toll in Iraq.

Although casualities were light in Isfahan, diplomats in Tehran said the attack increased the likelihood of a further escalation of the war, possibly leading to attacks on both capitals.

Iran and Iraq have ignored a renewed appeal by Sr Javier Perez de Cuellar, the United Nations Secretary General, to halt all attacks on civilian targets.

Israel inflation fear

Israel could be facing a new upsurge in inflation because an agreement between the Government, unions and employers to control prices and wages is on the verge of disintegration, Mr Gad Ya'acobi, the Minister of Economics and Planning, said yesterday, **David Lennon reports.**

"We should be worried by the economic process in which prices are racing away and inflation is liable to rise again. This requires a re-examination of the way the second stage of the package deal is monitored," Mr Ya'acobi said. A "package deal," freezing prices and controlling wages, was reached in November. In February, a second-stage agreement was struck for an eight-month deal.

Constitution revived

Gen Mohammed Zia ul-Haq, Pakistan's President, used his martial law powers yesterday to revive the nation's constitution except for portions dealing with fundamental rights, among other things, **AP reports from Rawalpindi.**

"Today is a historic day," said Gen Zia, making the announcement. He suspended the 1973 constitution when he imposed martial law following his 1977 coup against Prime Minister Zulfikar Ali Bhutto.

Mubarak in U.S.

President Hosni Mubarak of Egypt began a visit to the U.S. at the weekend seeking an urgent US$2bn in financial assistance and Washington's active support for his Middle East peace initiatives, **Tony Walker reports from Cairo.** Mr Mubarak has proposed that the U.S. first meets a joint Jordanian-Palestinian delegation which would be followed in the next stage by discussions involving the Israelis, leading eventually to an international conferencet on the Middle East attended by all parties to the dispute. Washington, however, has expressed little enthusiasm for the plan.

Thailand clash

Vietnamese troops crossing into Thailand from Cambodia tried to seize a strategic hill in Thai territory on Saturday, triggering a lengthy artillery duel between Vietnamese and Thai forces, **AP reports from Bangkok.**

AN APPEAL

A Lionel Robbins Memorial Fund has been launched to endow an annual lecture series and to provide research scholarships for young post-graduates in economics, the arts or higher education. £80,000 has been raised so far. Contributions can be sent to (and covenant forms are available from)

The Appeals Office
London School of Economics
Houghton Street, London WC2

Bush expected to pledge more aid to Africa

BY ANATOLE KALETSKY IN GENEVA

U.S. VICE-PRESIDENT George Bush is expected to promise a major increase in American aid to Africa today at an emergency conference organised by the United Nations in Geneva to co-ordinate the international response to the unprecedented drought and famine in many parts of the continent.

A number of other countries, probably including Britain, could follow the U.S. in making commitments towards a target of $1.5bn (£1.4bn) in food and other emergency assistance which Sr Javier Perez de Cuellar, the UN Secretary-General, stated over the weekend was needed immediately to safeguard the lives of 30m people in the 20 countries most critically affected by the famine.

Although the UN conference is not technically a pledging meeting, Mr Bush's presence appears to signal a new high profile approach by the Reagan Administration to the African emergency which may well result in specific sums of money being promised.

Mr Bush has just completed a fact-finding tour of Sudan, Niger and Mali and he said in Geneva yesterday that he would "try to encourage every country, transcending ideology, to be supportive in this enormous human tragedy."

The favourable U.S. response to the UN call has come as something of a surprise, given the Reagan Administration's sceptical approach to foreign aid generally and its refusal to participate in a $1.1bn special fund for long-term development and policy reform in Africa, launched by the World Bank last month.

One explanation for the difference in attitude given by some development officials is that th UN programme calls for emergency relief, mainly in the form of food shipments, at a time when grain surpluses in the U.S. are reaching record levels. In addition, pressure has been building in Congress and among the American public for a more open-handed response to the human suffering in Africa, irrespective of the anti-American policies being pursued by some African governments, notably Ethiopia.

Other industrialised countries could also prove more generous than expected, even though the Genva confrence comes so soon after the World Bank's successful appeal for long-term development funds to which France, Italy, Germany and Japan each pledged $150m or more and to which Britain contributed some £75m.

The two appeals are intended to meet quite different types of nds and, although th World Bank undoubtedly benefited in its fund-raising efforts from the public horror about starvation in Ethiopia and elsewhere, its programmes are designed to prevent future famines, not to offer immediate relief.

By contrast, the $1.5bn requested by the UN is to be spent on immediate food shipments ($1.1bn), basic agricultural inputs such as seeds and fertilisers ($185m), drugs and vaccines ($70m), emergency shelter, clothing and blankets ($52m), drinking water ($32m) and logistical support, including trucks and spare parts ($40m).

Mr Wayne Morse, the newly appointed director of the Office of Emergency Operations in Africa, who is also permanent head of the UN Development Programme, stressed yesterday that the humanitarian obligations being addressed at today's conference are entirely separate from long-term development policies and needs.

Although he believed that the donor countries should continue to raise long-term policy questions through the World Bank, the UNDP and other organisations, the immediate need to save lives had to overrule all other considerations — the 30m people threatened "are more than have been killed in any war," he said.

Second Massachusetts bank fails to report cash deals

BY PAUL TAYLOR IN NEW YORK

A SECOND leading bank in Massachusetts, the Shawmut Bank of Boston, has admitted that it had inadvertently failed to report some international cash transactions and improperly placed some of its customers on a list which exempted them from the need to report large domestic cash transactions.

The bank said it discovered the errors last month after the Bank of Boston, the 16th largest bank in the U.S., pleaded guilty to failing to report $1.2bn in international bank-to-bank cash transactions and was fined $500,000.

Subsequently the Bank of Boston separately admitted that it had placed businesses linked with the alleged leaders of the local Mafia on an exempt list. Tomorrow a Senate committee begins the first of a series of congressional hearing into the Bank of Boston transactions.

The Shawmut Bank, which is the third largest bank in Massachusetts with assets of $6.5bn, said it had failed to report $162m in cash transfers with seven foreign banks since 1980 when U.S. reporting requirements were extended to cover such transactions.

In addition the bank said it had discovered that 27 domestic customers, including schools, churches, hospitals, airlines and commercial companies, had been incorrectly excluded from domestic cash transaction reporting requirements.

Bill aims to curb wave of takeovers in U.S.

BY TERRY DODSWORTH IN NEW YORK

A FURTHER legislative attempt to curb the present wave of U.S. corporate takeovers is being made in a Senate Bill that would impose new requirements for shareholder approval, demand greater public disclosure and withdraw federal tax brakes.

Introduced by Sen John Chafee, a Republican senator from Rhode Island, the Bill follows a similar proposal in the House of Representatives. The moves reflect both a feeling that some of the takeovers may not be in the long-term interests of the U.S. economy, and public uneasiness about some of the methods used by Wall Street bid specialists.

Sen Chafee's Bill is partly designed to make it more difficult to launch an unwanted takeover by insisting that a majority of outside directors of a target company have to approve an offer for more than 20 per cent of its stock. This provision would mean that a recalcitrant board would have to be removed by proxy action, taking the issue before all shareholders, before a bid could be launched, greatly slowing down the takeover process.

The new Bill would also try to reduce tax brakes available to companies which make hostile bids. For example, "greenmail" payments, under which a hostile bidder is bought out at a price not generally available to shareholders, would be non-deductible for tax purposes.

Zimbabwe set to nationalise milling

By Patti Waldmeir, recently Harare

THE Zimbabwe Government has informed the country's privately-owned milling companies that they are to be nationalised.

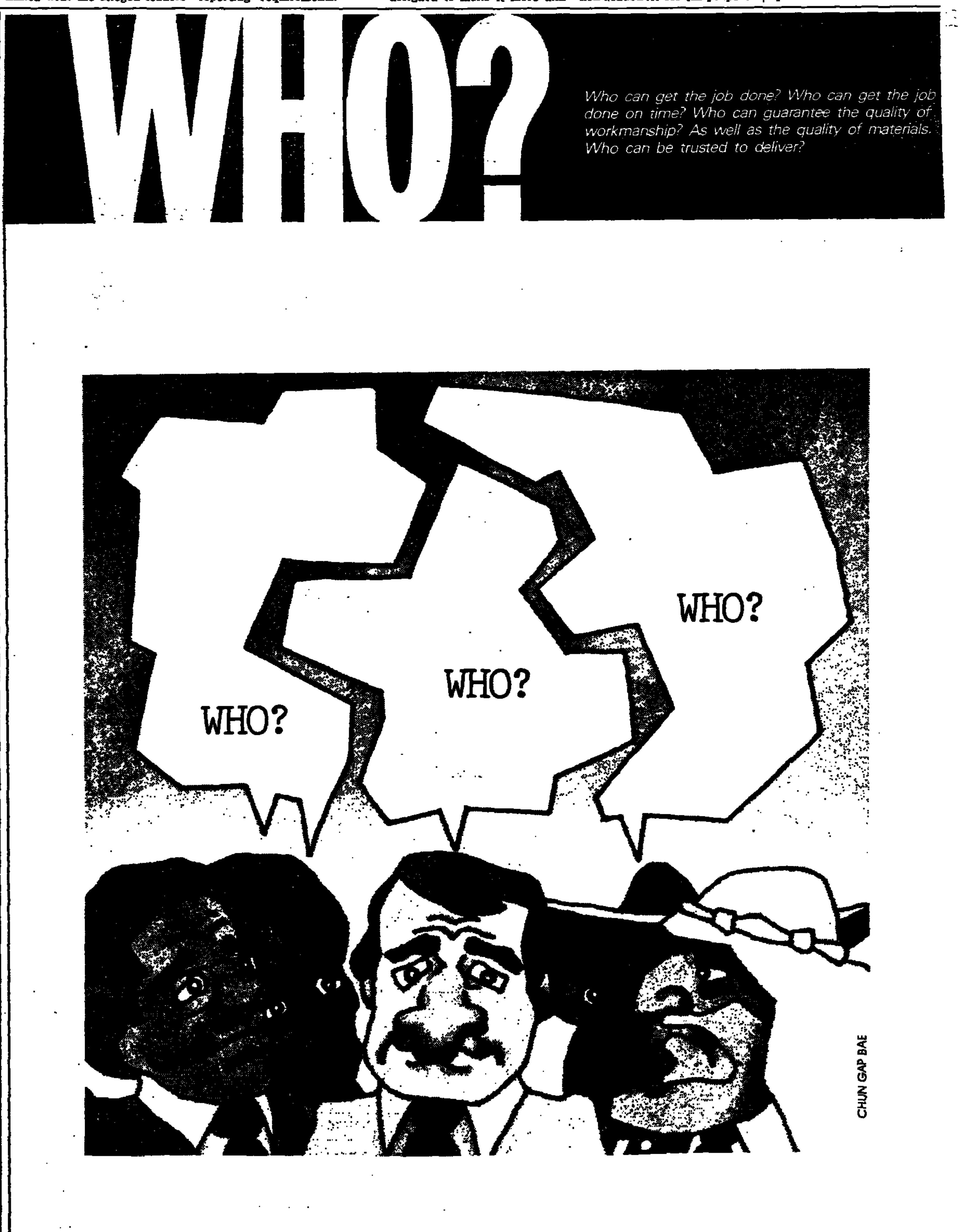
The move, which could cost the state some Z$200m (£113m), is believed to have been opposed by Finance Ministry officials, who fear it could jeopardise negotiations with the International Monetary Fund (IMF) for a loan. The Fund is understood to have been pressing for a major reducation in the government's budget deficit.

The decision has also jolted the confidence of local businessmen and could undermine attempts to attract badly needed foreign investment. Barely $50m (£48m) has been invested since independence, in 1980.

The five companies involved are: National Foods (in which Dalgety of the UK, the only overseas shareholder, has a 17 per cent holding), Blue Ribbon Foods (51 per cent owned by Zimbabwe's TA Holdings, and 49 per cent by Premier Mills of South Africa), and three smaller concerns — Midlands Milling, Triangle Milling and Premier Milling.

Mr K. M. Kangai, the Minister of Industry and Technology, has summoned representatives of the industry to three meetings over the past fortnight, at which he said that the government intends to take over the industry.

The possibility of nationalisation was first raised in 1982 after shortages of maize meal, the country's staple food, prompted charges that the milling companies were deliberately manipulating supplies in order to drive up prices.



WORLD TRADE NEWS

UK industry chiefs glimpse the real China

BY CHRISTIAN TYLER, TRADE EDITOR, IN HONG KONG

IF MRS THATCHER expected her heavyweight trade mission to China to return to London this week with briefcases bulging with firm orders for Great Britain Ltd, she is about to be disappointed.

The 10 captains of industry sent out with Lord Young, Minister Without Portfolio, worked *overtime during their* 10-day trip to Peking, Shanghai and Canton.

Seven pieces of paper were signed during the trip. But all save one, a £60m-odd dumper truck licensing agreement by Aveling Barford — not even represented on the mission — were expressions of intent or ceremonial declarations of mutual interests rather than concluded contracts.

No one, except perhaps Mrs Thatcher herself at the pre-mission briefing she gave the 10, was expecting quick results, even though there has been a *big* improvement in Anglo-Chinese political relations following December's agreement to return Hong Kong to China in 1997.

The best bet, a signed memorandum for the sale of *British Aerospace 146 jet liners*, has not yet come off.

Yet, as the weary remnants of the party put their feet up here yesterday before a final round of meetings in the colony, the feeling was that some real insight had been gained into the Chinese market. Some of the hard-nosed sceptics in the party said they were persuaded that China now presents, possibly *for the first time since the Com*munists won control in 1949, a real trading and investment opportunity.

If on the business side the mission members rated their expensive visit a success, the *wider political impact of the* tour by Lord Young and his team was less obvious.

The delegation signally failed to get its publicity machine working properly, and stumbled over what became known as the "*Four Main Doors Incident.*"

A 100-strong Japanese Chamber of Commerce team was in Peking at the same *time and* was received by Deng Xiaoping, China's paramount leader, in the Great Hall of the People. They marched in through the main entrance in Tiananmen Square while the British party was *ushered through a side door* for its meeting with Vice Premier Li Peng. (They later met Zhao Ziyang, the Premier, in the leaders' Forbidden City compound.)

Civil servants accompanying the mission feebly put it out that the Great Hall has no side doors at all — only main doors — so no loss of face had occurred.

Press treatment of the *inci*dent rankled with the mission for days and one of the positive *results was* lost in the recriminations. This was the British party's declared—and subsequently demonstrated—willingness to enter *into technology* transfer deals and equity joint ventures, whereas the Japanese, as Premier Zhao told Lord Young, were proving recalcitrant.

Lord Young and Sir Richard Evans, the British Ambassador, repeatedly pointed out that the mission had interviewed not *only the* Prime Minister and his deputy but ten other ministers in the course of nearly 100 joint or individual meetings, not to mention nearly *20 banquets*.

Some of the chairmen had never visited China before and learned how difficult it can be to operate in a country where regulations *change* monthly, communications are poor, flights are erratic, interpreters are often laborious and where foreigners are *mercilessly pur*sued for their hard currency.

That did not upset some of the *seasoned hands* who accompanied their bosses. The bag carriers, as they are disparagingly known in the Foreign Office, were privately delighted that VIPs should get some glimpse of the real China.

In *the event, mishaps were* few. Lord King, chairman of Babcock Shanghai International and British Airways, fell badly on the ice on the Great Wall and then went down with a heavy cold. Mr James Prior, chairman of GEC, was *lost* by his *driver somewhere in* Shanghai. One of the cars in the motorcade (at a cost of £50 a day) knocked down a woman in Shanghai's teeming Nanjing Road. The driver barely waited to see *that the unfortunate* pedestrian was uninjured before forging ahead.

As the group was whisked by chartered Jetfoil back to garish Hong Kong, Lord Young said he was extremely encouraged by evidence of goodwill towards Britain and by assurances received about the treatment of companies which go into equity joint ventures with the Chinese.

The problem of repatriating earnings made inside China was a persistent theme of the *mission*. Hints were dropped by the authorities, but the official position remains that only hard currency from export sales made by joint venture can be used to repay foreign equity investors.

Britain's trade with China is minimal: £317m in exports last year and £279m in imports. That *is only 1.4 per cent* of China's total external trade. The export figure could leap this year if the Daya Bay nuclear power station in Canton province, for which GEC expects to provide turbines and other equipment, worth possibly £800m, reaches the contract stage as hoped in June, when Premier Zhao visits the UK.

It is generally agreed a lot more *mao tai*, the Chinese firewater, will have to be thrown back before Britain becomes a serious trading partner of China's—and main-door receptions become routine.

Athens decides on site for alumina plant

The Greek Government has selected the small town of Vounihora, north west of Athens, as the site of a $450m alumina production plant, to be built with Soviet assistance, the National Economy Ministry announced yesterday.

According to the ministry, construction of the plant which is to provide 3,000 jobs will begin *before mid-April*. Ministry officials said that the plant will boost industrial employment in the little developed area by 50 per cent.

The chosen site is close to the bauxite mines which will pro*vide the raw material* for the 600,000 tonnes of alumina to be produced annually. About two-thirds of the production will be absorbed by the Soviet Union and the rest by Bulgaria. Moscow's share of the cost will be in the form of equipment for the plant.

Finn Barre adds from Riyadh: Saudi Arabia and Greece signed a $200-$220m deal yesterday for 1m tonnes of crude oil in 1985. Saudi Arabia's Petromin will deliver a 50-50 mix of medium and light crude. Last year the Greeks *purchased 1.5m tonnes.*

Leipzig draws more Westerners

BY LESLIE COLITT IN LEIPZIG

THE LEIPZIG East-West trade *fair, the largest of* its kind, is a magnet this year for Western businessmen and politicians seeking to put some *life* into stagnating trade with Comecon countries.

The six-day long fair, whose *theme is* "raw materials, fuel and energy," was opened yesterday by Herr Erich Honecker, the East German leader.

West Germany's Chamber of Industry and Commerce said recently that East Germany, with *its hard currency* trade surplus last year of $1.5bn and Western bank assets of $4.2bn, has won back freedom of manoeuvre to allow it to increase badly needed imports of plant and equipment from *the West*.

Herr Martin Bangemann, West Germany's Economics Minister, will meet Herr Honecker today and will hold talks here with Herr Guenter Mittag, East Germany's economics chief. A bevy of West German state economics officials are also in Leipzig along with the Mayor *of West* Berlin to capitalise on the highest-level contacts between East and West Germany since Herr Honecker was forced to cancel a planned visit to West Germany last September.

Mr Paul Channon, the UK Trade Minister, is paying his first visit to the Leipzig spring *fair where more* than 100 British companies are represented. UK imports from East Germany have grown more rapidly than *exports* in recent years with the result that many British companies which once showed interest in the East German market have given up on it

Some 725 West German companies are among the 9,000 exhibiting in Leipzig. The West German working group for trade with East Germany in West Berlin said a poll of companies trading with East Germany showed that most of them expect improved sales this year and next. West German deliveries last year to East Germany fell 6 per cent while East German *deliveries rose* 9 per cent.

The companies that were *most optimistic* about sales to East Germany were in capital goods and plant and in the chemicals sector. Increased sales are also seen for medium-sized West German companies in the vehicle sector in the wake of Volkswagen's *engine* licencing deal with East Germany.

The working group said East Germany is stepping up investments to modernise its metal*lurgical, chemicals and* consumer goods industries.

The group noted, however, that West German companies reported growing competition from other Western companies on the East German market. Concerns from Japan, Italy, Sweden, Austria and France were most frequently mentioned.

● A new study of East-West German trade by the German Institute of Economic Research (DIW) said the growth in East German deliveries to West Germany in recent years was not the result of improved competitiveness of East German goods. Instead it noted prices for East German oil products had increased and *resulted in* DM 6bn (£1.6bn) in additional East German exports to West Germany between 1973 and 1984.

Sales of East German machinery in West Germany, however, fell from 10 per cent of total sales in the 1950s to only 2.5 per cent last year, it said.

Talbot seeks resumption of Iran car kits accord

By Terry Povey

TALBOT UK has sent one of its senior executives to Iran in an attempt to finalise an oil for knock-down kits barter deal to cover the company's £130m-a-year contract. From today, however, more than 1,000 production workers at Talbot's Stoke plant *will be* on the dole as government guaranteed payments covering their earnings stopped at the weekend.

Both Iran Khodrow, the state-owned company which assembles the kits in Iran, and Talbot remain convinced that the signing of an overall contract between the *four* parties immediately involved — the two car-makers, the *National Iranian Oil* Company and an oil trader—is only days away.

However, the volatility of the oil market and the complexity of such four-way arrangements has persuaded Talbot not to gamble on an early resumption of production. That is why it will leave its workforce at Stoke *laid-off* rather than take on the responsibility for what one *executive* estimated was £1m a week in costs.

Talbot last shipped kits to Iran at the end of November and halted deliveries as payments had stopped coming through. Iran has experienced repeated foreign exchange shortages over the last year and there has also been an ongoing *debate over the future of the* 16-year-old arrangement with Talbot.

On February *9* Talbot *laid off* 1,050 of the 1,600 production workers involved in the Iran contract. For the first four weeks the Export Credits Guarantee scheme covered 90 per cent of average earnings but now this cover has lapsed.

Talbot's production workforce is about 3,000 with the rest assembling cars for sale in the UK at the Ryton plant. Talbot is a subsidiary of Peugeot of France and has recorded a net profit in only one year out of the last ten.

As a result of continued production after the suspension of shipments considerable stocks of the kits exist. At pre*sent there are 11,000 kits* on the wharf at Newport—about one sixth of last year's shipped total. A further 9,000 kits are stored at Stoke. Iran Khodrow is believed to have only enough car kits to continue until the end of April and it takes almost two months to deliver a load, factory door to factory door.

Petromin, Mobil to build Saudi lubricating oil plant

BY FINN BARRE IN RIYADH

SAUDI ARABIA'S state-owned oil company Petromin, and Mobil Oil have announced that they will build a 1.5m barrel a year base lubricating oil plant in Yanbu on the Red Sea.

The plant will be owned and *opearted by Petromin Lubricat*ing Oil Refinery, a joint venture between Petromin and Mabil Petroleum. Petromin's governor, Dr Abdul Hadi Taher, told reporters that the refinery which will probably be built by Japan's *Chiyoda Petrostar, will* cost $160m. Construction would take 27 months after signing the contract.

Financing, which has yet to be finalised, is expected to follow the standard practice of 30 per cent shareholder equity, 60 per cent government loans and 10 per cent commercial loans. The final 10 per cent is usually raised by a consortium of the Kingdom's banks.

Dr Taher also said Petromin is also planning to build a $40m lube oil blending plant, capable of producing one *million* barrels per year.

Petromin and Mobil have had a long relationship. The first lubrication oils plant, Luberes 1, was commissioned in 1978. Its capacity is roughly 1.6m barrels of lubricating base oils a year.

There is also a lubricating base oils plant in Riyadh. Several lube blending plants have *also been built*, Shell and the Al Jomaih Group in Riyadh have started construction on a private capital lubricating oil blending plant. Shell Oil was at one time trying to interest Petromin in adding a lubricating *oil unit* to the *joint* venture refinery being built in the Eastern Province.

● South Korea *plans* to add Malaysia and an unidentified Arab country as suppliers of liquified petroleum gas (LPG) in an effort to diversify its sources of imported LPG, officials said, **AP-DJ reports from Seoul.**

At present, Saudi Arabia is South Korea's only source of LPG.

Taiwan plans $32.6bn power investments

By Robert King in Taipei

THE Taiwan Power Company plans to invest $32.6bn over the next 10 years in new power projects, and *roughly $12.6bn* of that amount will go for major foreign equipment purchases, according to Mr David Cheng, Taipower's vice-president.

Major components of the planned foreign purchases include a pair of 1,000 Mw nuclear generators worth $2bn, four 550 Mw coal-fired steam turbine generators worth about $1bn, and six 267 Mw turbine generators worth $250m, for a pumped-storage project.

Taipower also expects to spend $3.5bn on nuclear fuel, and another $1.2bn on equipment for transmission and distribution systems.

During the 10-year period the Government may also approve construction of another pair of nuclear units and two more coal-fired steam plants.

The projects are part of an ongoing plan by the Government utility *to maintain* sufficient capacity for Taiwan's growing power needs

Taipower already has six nuclear units either operating or under construction. The seventh and eighth units, *originally scheduled for* ground-breaking two years ago, now form the subject of an intense Parliamentary debate

SHIPPING REPORT

Tanker market 'shows few signs of improvement'

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE TANKER market, long used to crisis as a result of the chronic tonnage surplus which followed the 1970s oil crises, is going through traumatic times.

Such was the verdict last week of UK shipbrokers E. A. Gibson, which said business inquiry was nowhere near enough to absorb the available tonnage. "Rate levels," it added, "remain utterly depressed with no immediate signs of any external influences to improve the situation."

Demand for tonnage from *Kharg island, the Iranian oil* terminal, has slackened and that for scrap from the Far East has also eased after a flurry of sales by shipowners to demoltion yards in the first two months of this year. For the longer term, however, last week saw agreement from shipbuilders, owners and bankers at a special meeting in Hong Kong that efforts to boost world scrapping rates must be intensified.

In dry cargo markets, Matheson (Chartering) said some seasonal expansion in activity and a rise in rates was likely over the next few months. But the year had begun on a weak note.

It noted, "a marginal improvement of say 10 or 15 per cent is not likely to have any *serious* impact on the finances of many owners who are suffering huge losses and are in imminent danger of foundering."

WORLD ECONOMIC INDICATORS

RETAIL PRICES
(1980 = 100)

	Jan. '85	Dec. '84	Nov. '84	Jan. '84	% change over previous year
W. Germany	120.0	119.3	119.2	117.5	2.1
France	153.9	153.1	152.8	144.5	6.5
Italy	182.7	180.9	179.8	167.4	9.1
Netherlands	120.6	120.9	121.0	117.8	2.4
Belgium	137.2	136.4	136.1	130.6	5.0
UK	136.4	135.9	136.8	134.0	5.0
U.S.	128.1	127.8	127.7	123.7	3.6
Japan	114.3	113.2	113.0	110.6	3.3

Source: Eurostat

UK NEWS

Employers call for elimination of investment obstacles

BY LYNTON McLAIN

THE UK'S access to advanced technology will be restricted and its living standards decline if manufacturing output continues to fall, the Engineering Employers' Federation (EEF) says in a memorandum to a House of Lords committee published today.

It urges the Government to take action to remove obstacles which discourage commercial investment in longer-term projects and advanced technology.

Action is required in seven areas, according to the federation.

- Government industrial policy should concentrate primarily on indigenous not imported skills. Where government support is given, it should involve companies already established in the UK.
- There should be a substantial increase in government assistance for industrial research and development.
- Government industrial support should concentrate on the development of technological expertise, not purely on the volume of manufacturing capacity.
- The fiscal bias in favour of short-term projects should be eliminated or reversed. "One major reform required is the restoration of 100 per cent allowances against corporation tax for fixed investment expenditure," the EEF says.
- Increased government support is required for export projects. Foreign competitors receive supports from their governments. UK companies cannot compete for these projects without government backing.
- The Government should support UK commercial interests in engineering against the effects of foreign protectionism and foreign government support for engineering.
- The Government should continue to encourage and support voluntary restraint agreements in trade, where appropriate, to preserve the skills and infrastructures essential to the redevelopment of key manufacturing sectors, especially in relation to the problems of competition from Japan.

The EEF represents 5,000 engineering companies employing about 1m people, but the manufacturing sector in the UK "has lost competitiveness against the food, drink, tobacco and services sectors," the federation says in its note to the Lords' overseas trade select committee.

North Sea oil was another reason for the UK trade deficit in manufactured products. "Market forces will in due course lead to a reversal of the non-oil deficit as oil production declines. The danger is that a high volume of relatively low value products will need to be exported to pay for imports of relatively high value advanced technology products, if the present trend continues towards UK dependence on low-technology and commodity products."

Market forces alone "cannot ensure success," the federation says. "The lead times and perceived risks of major advanced technology projects make them appear unattractive at a time when the economy is buoyed up by rising oil production, and when high real interest rates encourage 'quick-return' short-term projects at the expense of the longer-term."

Industry will not and cannot take action unless there is a commercial advantage in doing so. At present several features of the economic and fiscal environment tend to discourage commercial investment in longer-term projects. Only the Government can remove these obstacles," the federation adds.

A policeman for the London financial community

Barry Riley looks at the task of establishing a Securities and Investments Board in the City of London.

IN ABOUT two months' time, Sir Kenneth Berrill will move into temporary accommodation in the Bank of England's New Change building and begin setting up the new Securities and Investments Board, the watchdog body that will carry the main responsibility for policing the financial markets under the Government's proposed investor protection legislation.

Sir Kenneth's brief as chairman-designate will be to set up the SIB as a fully operational body by the time the new financial services legislation becomes enacted, around the end of next year. About the same time, new rules for the operation of the London Stock Exchange will also come into force.

One other appointment has been made, that of Mr Martin Jacomb, a vice-chairman of merchant bankers Kleinwort Benson, as part-time deputy chairman of the SIB.

An eventual board of 10 or 12 is envisaged, all part-time except Sir Kenneth. They will include practitioners from the City of London but also a number of lay representatives.

Asked yesterday to define his role, Sir Kenneth said he aimed to help to create a system of regulation of a kind that would suit London's markets. "The job really is to help London to continue to expand as the major financial centre in our time zone in the period ahead, when competition for international business gets stronger by the month," he said.

Although he accepted the policeman's role, he considered that his priorities ought to be preventative rather than investigative.

"I will be protecting investors, yes, although if the system is well set up, competition will do a great deal of protection, especially when you are a professional investor as distinct from a small investor," Sir Kenneth observed.

In the initial stages, Sir Kenneth will rely on personnel seconded from the Bank of England, but it is his intention to recruit his own executive team.

"We will start with a small group of people whom, I would hope, I could get seconded from a range of City institutions. I would hope that they would regard a couple of years in this new organisation as being an attractive thing to do."

He indicated that he would be looking for young people, with the early 30s as a centre point. Meanwhile, the SIB is intended to have its own independent premises in due course.

For the next two months, Sir Kenneth will be extricating himself from various existing commitments, which include the chairmanship of Stockbrokers Vickers da Costa (now part of the Citicorp group), several company directorships and the deputy chairmanship of the Universities Superannuation Scheme, a part that carries investment responsibilities.

Although Sir Kenneth's salary and precise terms of employment have not yet been worked out, he is clear that he must be seen to be uninvolved financially with any of the institutions with which he will be dealing.

"If I am going to do this job, I must not have an interest in the profit performance of any particular financial institution," he said.

He also stated his intention of giving up personal dealing in any active way. His investments would probably be restricted largely to fixed-interest paper, investment trusts and similar assets. He envisaged, however, that he would be the only member of the SIB to be restricted in that way.

The only outside job he might retain would be his position as a lay member of the Lloyd's Council, which he has held since 1982. He said it was not clear to him that it was inappropriate, although it would have to be given further thought.

"I think I have learned a lot on the Lloyd's Council of a regulatory kind," Sir Kenneth observed. "For me, the last few years on the Lloyd's Council have been the most immediately valuable experience for this job."

At Lloyd's he had learned a lot about the difficulties of actually processing cases, including the difficulties of organisations and accounting systems.

Sir Kenneth emphasised that he had only very recently become involved in the development of a new regulatory framework for the financial markets, unlike his deputy, Mr Jacomb, who through responsibilities at the Takeover Panel and the Council for the Securities Industry had been closely involved in the formation of policy over the past few months.

Accordingly, Sir Kenneth said he needed more time to think about the precise structure of the SIB executive. "There may be a chief executive, there may not," he said. "But I am going to be the executive chairman."

He also declined to comment on matters such as the future of the Takeover Panel or the precise relationship between his organisation and the second proposed watchdog body, the Marketing of Investments Board, which will regulate pooled investment products such as life assurance plans and unit trusts.

He denied, however, that there was a case for an immediate merger of the SIB and the MIB, as is being proposed by several important organisations such as the Unit Trust Association and the National Association of Securities Dealers and Investment Managers.

After looking at the proposed workload for the next year or so, he concluded: "There ought to be two bodies working on the problem because it is a huge job."

British Telecom set to go public with System X

BY JASON CRISP

AFTER more than 10 years' development involving considerable controversy and delays System X – the British family of advanced digital telephone exchanges – is due to go into public service at the end of *next month*.

Over the next few days British Telecom engineers will be running the final tests on the first production System X local exchange to go into service.

British Telecom (BT) has spent about £325m on the development of System X and the two manufacturers, Plessey and GEC Telecommunications, have also made substantial investments in production capacity.

If System X is as successful as BT claims it will be, then the two manufacturers will have a somewhat better chance in the increasingly difficult task of selling telephone exchanges overseas.

The installation of System X will also be a vital step in BT's stated intention to give the UK one of the best telephone systems in the world by the end of the decade. *It is more* economic for BT to modernise the UK's antiquated network with sophisticated digital exchanges quickly than for countries with much more modern but analogue equipment such as the U.S., Japan and West Germany.

System X exchanges are cheaper, smaller and much more reliable than anything else in the network including TXE4 which is at present being installed. It will enable BT to offer new services and facilities, particularly to business, and will mark the next stage in the construction of an integrated digital telephone network in Britain.

System X is also of considerable importance to Plessey and GEC each of which have orders for around £220m at the moment. Unlike previous arrangements for exchange ordering, the two companies are in competition. "I think the orders will be split about 50/50," comments Mr Chris Wells, analyst at de Zoete & Bevan.

"Provided the final development hurdles are overcome and the suppliers move into full production quickly, I think System X will be a *great success for both the customer* and suppliers."

Decline in office space for letting

By Michael Cassell

THE AMOUNT of office floorspace available for letting in Britain fell during the second half of 1984 – the first recorded decline since 1981, according to Hillier Parker, the estate agents.

Hillier Parker's findings support the view that office markets around the country have been slowly reviving and that London has been the major beneficiary in the fresh wave of demand from occupiers.

In spite of the improvement, which appears to have been maintained in the first quarter of 1985, there is *still* only limited evidence of any significant upturn in rental levels. Only in the City of London and, to a lesser extent, in the West End of London have rents shown any growth.

Hillier Parker points out that the increase in tenant demand has been most noticeable in the market for existing buildings, where lettings have been running ahead of the level of space becoming available. In contrast, the level of lettings involving new developments fell marginally in the second half of 1984, although they remained well up on lettings achieved in 1983.

FT SURVEY OF INDEPENDENT FORECASTERS

Economy expected to grow 3%

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE STEEP rise in interest rates in January is unlikely to prevent the UK economy from growing by 3 per cent this year, most independent economists believe.

An FT survey of 19 independent forecasting and City of London organisations shows that the average prediction is for 3 per cent growth in 1985, unchanged from the average prediction in November.

Although most forecasters are now more pessimistic about interest rates and inflation for this year, they have become substantially more optimistic about trader performance in the current year.

In November, the FT average of forecasts pointed to export growth of 4½ per cent this year with imports growing by about 4¼ per cent.

Now the depreciation of sterling is generally expected to give a help to exports which are expected to grow by 5½ per cent. Some forecasters, including the London Business School's Centre for Economic Forecasting, believe that exports will grow by more than 7 per cent, while the consensus in the City is for growth of about 6 per cent.

Imports are now expected to grow at a rather slower pace after three years of recovery during which they have risen by 20 per cent, or just over the rate of exports. For 1985, the FT average of forecasts shows imports growing at

FT AVERAGE OF FORECASTS
(Percentage change over year at 1980 prices unless otherwise shown)

	1985	1986
GDP	3.0	2.1
Consumer spending	2.4	2.4
Exports	5.6	3.8
Imports	4.5	3.6
Retail prices (4th Qtr)	5.4	5.0
Unemployment (adults million, 4th Qtr)	3.2	3.3
Balance of payments Current account (£bn)	1.1	1.3
PSBR (financial years, £bn)	7.5	7.7
Sterling index (1975 = 100)	71.6	71.2
Interest rates (3-month interbank)	10.4	9.1

4½ per cent. In 1986 imports and exports are both expected to grow at a rather slower rate of about 3¾ per cent.

Some forecasters, however, including the Confederation of British Industry, remain optimistic about the outlook for trade in 1986, with export growth projected at 5 per cent or more.

The forecasters believe that there will be only a small inflationary penalty this year from sterling's greater-than-expected depreciation in recent months.

They are now expecting the Sterling Index (measured against a trade-weighted basket of currencies) to average about 71.6 this year (1975 = 100). This is 9 per cent below the consensus forecast in November. But the average prediction for inflation by the fourth quarter of this year has only risen from 5.1 per cent in the November forecasts to 5.4 per cent now.

This may partly reflect the fact that the independent forecasters were significantly more pessimistic last year than the Treasury about the outlook for inflation. The National Institute of Economic and Social Research remains the most pessimistic about inflation, with a prediction of 6½ per cent by the end of this year.

Next year, the consensus is that inflation will fall, with the FT average dropping to 5 per cent by the fourth quarter of 1986. Only one of the 19 forecasters surveyed this time (broker Wood Mackenzie) is expecting inflation to accelerate in 1986.

On the other hand, all but two forecasters expect unemployment to continue to rise in 1986. The London Business School is predicting an easing of unemployment by 64,000 between the fourth quarters of 1985 and 1986 (to 3.09m adults, seasonally adjusted).

Liverpool University remains the most consistently optimistic about inflation and unemployment. By 1986, it expects the annual inflation rate to be 2¾ per cent with unemployment at 3m.

Coal stock renewal cost plan may push up power bill

BY IAN HARGREAVES

ELECTRICITY consumers might be faced with an additional 5 to 7 percentage points on their bills next spring if the electricity supply industry has to carry the cost of rebuilding coal stocks after the end of the miners' strike.

The Government has told the industry it wants power station coal stocks rebuilt to a similar level to those *available at* the start of winter 1983, before the miners' strike began. That is in case hostilities break out afresh.

Stocks would then be more than 33m tonnes, compared with a normal level of 18m to 20 tonnes. The last official figures showed that stocks had fallen to *14.4m tonnes at* the end of the year. They are now probably between 10m and 12m tonnes.

The Central Electricity Generating Board (CEGB) expects to rebuild its stocks quite rapidly in the next few weeks, as most of the 20m tonnes of coal trapped at pitheads during the strike is moved to the power stations.

The industry has told the Government that it does not expect to carry the heavy cost of holding stocks beyond its normal commercial levels. To hold an additional 12m tonnes of coal at the power stations would cost around £600m.

If that entire cost was passed through to electricity consumers in tariff increases due in spring 1986, it would add 6 per cent to prices, in addition to any increase to cover *inflation*. The electricity industry is committed to holding annual tariff increases below the level of general inflation in an attempt to gain competitive ground against gas.

During the last build-up of stocks, in 1982-83, there was an unpublicised agreement by the Government for the CEGB to *defer* payment of a proportion of power stations' coal, which meant that the coal remained the property of the coal board and its financing cost was covered in government subsidies to the coal board.

Now, however, the Government is arguing that the normally highly profitable electricity industry should carry the cost, passing on the effects to consumers as necessary.

In 1985-86, the electricity industry is to repay £1.1bn to the Government in negative external financing limit (EFL). If consumers are to be protected from stock building costs, the Government will have to reduce that negative EFL by about £600m.

Such an adjustment to the industry's EFL would not have to be announced. This year, similarly, electricity because of the costs of the strike will fail to make its anticipated £740m negative EFL payment, which has been covered by the Government's contingency *fund*.

It is not now expected that the Treasury will try to recover the costs of the strike so far through a so-called "Scargill surcharge" on electricity bills or by adding value added tax to fuel bills, but the Treasury sees the stock building cost as something it can recoup from the industry.

This spring's increase in electricity prices, which the Electricity Council has said will average 4.5 per cent, is expected to work out slightly lower at 4.3 per cent.

Two area electricity boards, Yorkshire and South-West, have announced price increases of 4.5 per cent and 4 per cent respectively. The North Eastern Board has told its consumer council to expect 5 per cent, and London consumers can expect an increase below 3 per cent.

Lignite may produce 'cheapest electricity'

BY OUR BELFAST CORRESPONDENT

ECONOMIC ADVISERS to the Government have forecast that Northern Ireland could have the cheapest electricity in the UK because of the discovery of large reserves of lignite, or brown coal.

A report from the Northern Ireland Economic Council, an independent advisory body, estimates that lignite could boost the region's GDP by 1.2 per cent in the *long term and* cut £45m off the annual bill for imported fuels.

Recoverable reserves of lignite at Crumlin, County Antrim, are estimated at 420m tonnes. Other substantial reserves, which could amount to as much again, are known to exist at four other areas. Tests have shown the lignite to be a relatively clean fuel with a low sulphur content and with a calorific value about half that of coal.

Sir Charles Carter, the council chairman, said Northern Ireland *might eventually* generate the cheapest electricity in the UK. It would depend on having the majority of generating capacity based on raw lignite in purpose-built stations.

Electricity is at present more costly to produce in Northern Ireland than elsewhere in the country because of a heavy dependence on imported oil. Huge government subsidies are needed to keep electricity tariffs on a par with the highest in the rest of Britain.

The council's report echoes the view of the Northern Ireland Electricity Service that the most effective *use of lignite* would be to burn it in a raw state at a purpose-built power station close to where it is mined.

A processed form of the fuel may also be usable in power stations which are at present coal-fired. Test burning of lignite began last week at Belfast West power stations to see if it can be used without costly adaptation of the existing plant.

The Crumlin reserves are being exploited by Burnett & Hallamsham, the Sheffield-based mining group, through its subsidiaries, *Mining Investment* Corporation and Northern Strip Mining. The company estimates that the reserves could last for 80 years.

Economic Strategy; Impact of Lignite – from NI Economic Council, 2 Linenhall Street, Belfast.

VDU health problems widespread, union says

BY DAVID GOODHART

ONE of the most comprehensive reports so far on the health hazards associated with Visual Display Units (VDUs) is published today by the white-collar union, Apex.

Using the results of three separate surveys of union members the report sets out to show that the health problems are widespread.

The first survey was conducted among staff representatives covering about 4,500 members; 64 per cent said they had received complaints from members suffering from headaches as a result of *using* VDUs with unsuitable lighting.

A more specific survey of 150 individuals in the revenue accounts department of British Airways and the reservations department of British Caledonian (BCal) found that 77 per cent and 75 per cent respectively suffered from headaches. A Midlands area survey reported 52 per cent affected by headaches.

Fifty-five per cent of respondents to the first survey said complaints had also been received of sore eyes arising from VDU use, with 70 and 74 per cent at British Airways and BCal.

The *report points towards* evidence of an increased number of miscarriages among VDU operators, stress problems and skin rashes. It also states that none of the respondents could recall radiation checks on the equipment.

Mr David Rice, an Apex official and author of the report, said the results would provide Apex members with a chance to challenge employers who had bad health and safety provisions.

"However the main purpose is to demonstrate that health and safety *hazards do* exist and office staff are suffering from operating VDUs," he said.

Ford boosts truck sales

BY JOHN GRIFFITHS

HEAVY COMMERCIAL vehicle sales jumped 21.1 per cent last month compared with the same period a year ago.

The chief reason appears to have been the ending by Ford on the last day of the month of a six-month incentives campaign on its Cargo truck range. The result was a more than doubling of Ford's heavy truck sales in February to 1,472, from 725 a year ago.

Ford, which has just announced a variety of specification improvements on the Cargo is, however, sticking to its forecast that heavy truck sales this year will show only modest growth, to about 55,000 units compared with 52,821 last year.

Statistics from the Society of Motor Manufacturers and Traders show that heavy truck sales last month totalled 5,177, up from 4,274 last year.

For the first two months of the year, the sector's sales are running 17.8 per cent ahead, at 9,840 units compared with 8,353 in the same period of 1984.

EUROPEAN COMPANIES BACK £20m PLAN FOR ADVANCED RESEARCH CENTRE

The shape of computers to come

BY TONY DURHAM

MORE THAN 30 European companies and universities have set aside their rivalries to back a proposed £20m centre for research on the shape of computers to come.

The idea is to connect together 64 powerful computers on a single site, where European researchers could develop the vital but still-mysterious art of making 10, 100 or 1,000 computing engines work together as a single, very powerful machine.

"Parallel processing" is the term computer scientists use to describe this kind of computing. The computer industry sees parallel processing as a way to meet the massive projected computing needs of defence, weather forecasting, scientific research, engineering design and "artificial intelligence" in the 1990s.

Working closely with the UK-Norwegian combine Racal-Norsk, Dr Philip Treleaven of Reading University, has submitted the proposal to Esprit, the European Community's programme of research in advanced information technology. The plan is on the agenda for the March 12 meeting of the Esprit management committee in Brussels.

A batch of 80 letters brought back positive responses from more than 30 organisations including GEC, Philips, Matra, British Telecom, Bull, Hewlett Packard and West Germany's national computing laboratory GMD (Gesellschaft für Mathematik und Datenverarbeitung).

Esprit has already been asked to fund many research projects on parallel processing, but the committee was asked to look at this as an investment in infrastructure rather than another research project. The idea is that the centre would open its doors to industrial and academic researchers from the whole Community. "Perhaps 50 groups could use it in a year," said Racal-Norsk's sales manager, Mr John Lewis.

Shared facilities of this kind are well established in the "big science" subjects of space, astronomy and nuclear physics. But there has been no comparable venture in information technology. Esprit's main infrastructure project so far has been the European Information Exchange System, a computer network linking major Esprit participants.

Ostensibly to free the centre from ties to specific companies, the new proposal calls for 100 per cent funding from Esprit instead of the usual 50 per cent. "If it was submitted under the usual Eprit rules it would lose its openness," said Mr Lewis.

Supporters of the scheme, which would cost Ecu 24m over three years, say that it offers exceptional value for money and will save the cost of building several less versatile testbeds in different countries. "We can have it up and running by the beginning of 1986," said Mr Lewis.

"It's really aimed at helping European companies compete with the Americans," he added. "The Americans are looking to build machines which are 10,000 times as powerful as the new IBM machine."

Since individual microchips cannot be made to run 10,000 times faster, computer scientists pin their hopes on making more chips work on the same problem at once. The biggest bottleneck in conventional computers is often the central processor, the part of the machine which handles most of the arithmetic, logic and control functions.

Processors used to be expensive so a computer only had one. Silicon technology has changed this. Now designers can consider using 64 powerful processors or as many as 100,000 very simple ones in a single machine.

But, as when a company expands its workforce, adding processors brings problems of management and communication.

Communication is particularly important, the processors must communicate if they are to co-operate. The danger is that they could waste much of their time waiting for messages to arrive from distant parts of the machine. An electrical signal takes about 10 nanoseconds (one hundred-millionth of a second) to travel one metre. That is quite a long time in electronics.

There is no shortage of bright ideas in parallel computing. "Intellectually Europe has probably got more and better ideas than anyone else," said Mr Lewis, but he pointed out that Europe lacks a versatile testbed for trying them out.

He and Dr Treleaven believe there is an urgent need for an experimental machine which can mimic the behaviour of many different types of parallel computer. Simulation tests now could prevent expensive mistakes later.

Any computer can be programmed to imitate a parallel machine, but it is hard to judge the effect of these timing problems unless the machine really does have physically separate processors.

Around six such projects are said to be under way in the United States, and at least three in Japan. The European plan most closely resembles Professor Arvind's project at the Massachusetts Institute of Technology, which has $6.7m from the U.S. Department of Defense.

Parallel computers can be fine-grained or coarse-grained. In other words, they can be built from a lot of simple processors or a few very complicated ones. The processors can be connected one to another in a straight line, a ring, a net-like grid, a branching tree, or in more exotic patterns including one called a hypercube.

Then there is the question of memory. Should each processor have its own "local" memory? Should they all share a "global" memory? Or should there be a blend of both kinds?

Dr Treleaven maintains that questions like these cannot be separated from another decision: how is the machine to be programmed? The Basic used on microcomputers is quite unsuitable for a parallel machine. So are most of today's programming languages.

New languages and programming methods may be needed. The hope is that programmers working in the new languages will naturally find themselves writing programs that suit a parallel machine. Among the programming styles on offer are logic programming (represented by the language Prolog), functional programming (claiming descent from Lisp) and object-oriented programming (as seen in Smalltalk and Simula).

Today's "supercomputers" such as the Cray XMP are designed mainly for scientific applications where relatively simple calculations are performed over and over again. They are ill-equipped to handle language, reasoning and the solving of problems in the messy world of human affairs. Japan's "supercomputer" project is quite separate from its "fifth generation" project.

Engineering design systems is one sector which will need the application of parallel computing to cope with the expected growth in complexity

But Dr Treleaven believes Europe could gain by bringing research on "numeric" (supercomputing) and "symbolic" (fifth generation) computing together, arguing that the basic problems of parallel computing are common to both.

Mr Lewis points out that weather forecasters, who already use powerful numeric computers, could begin to use symbolic computing to interpret the masses of weather data. Forecasters might not be so keen on the idea of letting a computer do "their" part of the job.

For Racal-Norsk, a go-ahead from Esprit could mean an £8m order for 64 of the company's KPS processors and associated hardware. The KPS is a version of Norsk Data's ND500 32-bit computer, adapted for artificial intelligence work.

Norsk is based in Norway, but the link with the British electronics group Racal gives it a foothold in a European Community country.

The alternative would be to buy American, since no other European company has a machine like the KPS and the necessary hardware to wire 64 of them together. But it is not yet clear how much additional programming would be needed to make the 64 computers work harmoniously together.

COMPUTER INDUSTRY

Explosive growth

THE EXPLOSIVE growth of the computer industry is reflected in the way The Computer Users' Year Book, its bible, has increased in size year by year.

For the 1985 edition, there have been a number of major changes the most radical of which is its division into two volumes, the first covering technical information, hardware and supplies, the other dealing with computing services.

In all the two volumes total nearly two thousand pages of closely written information about the UK computer industry.

The publishers have also invested time and effort in making the new edition easier to use—so destroying at a stroke the careers of those whose chief business asset was the ability to find their way around the earlier editions.

There is, for instance, a geographical location coding system which makes it possible to locate a supplier in any of 15 regions of the UK defined by post code areas.

Analysis of the product listings shows a 72 per cent increase in local area networks featured and a 27 per cent increase in the number of micros and mainframes listed bringing the total to 600.

The salary statistics show that the national medium salary for a data processing manager was £14,333 in March 1984, compared with £13,727 in April 1983, an increase of 4.41 per cent.

Most data processing staff achieved salary increases of between one and ten per cent in the same period with th exception of chief analyst programmers who went up from £11,440 to £13,167, an increase of over 15 per cent.

RESEARCH INTO SPEECH

Communication prize

TWO researchers have won a major industrial prize for their work into speech analysis and speech transmission. Dr James Flanagan of AT & T's Bell Laboratories and Professor Gunnar Fant at Stockholm's Royal Technical University have been awarded the LM Ericsson Prize for contributions to telecommunications.

The prize was first awarded nine years ago to celebrate the Swedish company's 100th anniversary. The SKr 250,000 award is now made every three years.

Dr Flanagan and Professor Fant have both been involved in the production of models of human speech and analysing them. Their theoretical work has led to the rapid development of commercial products for speech coding. This is the conversion of speech to special signalling forms for digital communications.

Other products have been in speech recognition and generations for applications such as teaching deaf children to speak and enabling blind people to operate telephone switchboards. Their research is also important to the future of speech based man/machine communications such as between humans and computers.

Dr Flanagan's contributions to research include the development of models for speech perception and the ear's signal processing, development of digital coding systems and speech production methods.

Professor Fant has introduced scientific methods to phonetics, carried out theoretical and experiment studies of the methods of speech production and applied quantitive experimental methods in phonetics and linguistics.

The prizes will be awarded in Stockholm on May 6.

AUTOMOTIVE COMPONENTS

Sensing the change in car engines

A relatively unknown company has managed to win a large order for the supply of advanced technology components as part of an electronic engine control system from British Leyland.

Lamerholm Fleming is a 10 year old company which specialises in transducers called piezoelectric accelerometers. These are sensors which detect vibrations by producing an electric signal which can be fed for analysis into a computer.

It is producing 1,000 transducers a day to supply BL's needs for the engine management system for its Montego model. BL had developed most of the computer engine control but could not find a suitable suplier for a sensor which could measure the shock signal in the engine block when an engine "knocks."

Modern high performance engines need electronics to ensure that the ignition timing, spark advance and compression are operating correctly because the engine is normally working near the limits of its performance. Sensors ensure that the car's engine does not exceed the limit, help improve fuel economy and protect the engine against damage.

Finding suitable sensors at low cost is not easy. Traditionally, sensors such as accelerometers have been expensive with some devices costing as much as £300 each. This was because they were a vital, but small, part of very expensive measuring instruments used in the chemical or process industries where accuracy was more important than cost.

If such sensors were to find a role in the more commercial world of car manufacturer, Lamerholm Fleming had to bring down the price of its manufacture. Each of its sensors costs only a few pounds and this coupled with reliable manufacture helped it win the BL contract.

The company developed its own production technology and much of the manufacturing and test equipment to ensure that assembly is simple and efficient. There are few rejected components despite stringent tests and this helps to keep costs down.

Inside each sensor are two tiny rings made of a piezo-electric ceramic called lead zirconium titanate. These form the active part of the sensor producing an electrical signal when under the action of an applied force.

Lamerholm has delivered more than 140,000 transducers to BL and Maserati is also going to instal sensors in its models. In addition, the company hopes to license its car sensor technology to companies in the U.S. Eventually, cars could contain many sensors measuring such factors as crank angles and pressure.

ELAINE WILLIAMS

APPOINTMENTS

Granada Group makes changes

Mr Craig Robin has been appointed financial director of the DATASENSE group.

★

The BARNETT CONSULTING GROUP has appointed two non-executive directors: Mr Andrew McKay and Mr Norman White. Mr David Radcliffe has been appointed managing director of Barnett Radcliffe Advertising and Communications.

★

Mr Kenneth F. Bacon has been appointed managing director. STC TELECOMMUNICATIONS. His career includes appointments with Fairey Holdings—as group chief executive; Philips—as managing director MEL; and most recently with the Plessey Company where he was divisional managing director. Plessey Communications Systems.

★

At GRASTISPOOL INTERNATIONAL HOLDINGS, photo-processing subsidiary of 3M United Kingdom, Mr Mike Atkins is chairman and managing director. Mr Mike Hill becomes director, retail sales and marketing; Mr John Harley, director. group services; Mr Mike Smith, director finance; Mr Tony Griffiths, director, marketing services; Mr Mark Smith, director, personnel and Mr Rob Eaton, production manager.

★

Mr James K. McNeillage has been appointed group treasurer of THE DISTILLERS COMPANY.

★

Mr M. Victor Blank has been appointed joint chief executive of CHARTERHOUSE JAPHET. He shares the post with Mr John B. Hyde, who remains chairman and chief executive of the bank.

★

Mr Phoon Ah Lek, managing director of Pegi Malaysia which holds 26 per cent of Dunlop, has joined the board of DUNLOP. Mr Phoon has previously been the alternate director on the Dunlop board of Mr Ghafar Baba, whose alternate is intended to be Mr Asri Ghafar, also a director of Pegi. To make way for Mr Phoon, Mr Eng Chin Ah has resigned from the Dunlop board. Mr Eng has found it increasingly difficult to find the time to attend board meetings in London.

★

Waltech has been formed from Walmore Electronics' government supply division and will be a subsidiary of Waltech Inc., a company established by Walmore in 1984 and based in New Jersey. U.S. The managing director of WALTECH will be Mr Desmond Jenkins who has been with the group for more than 20 years.

★

Mr Pat Welch has been elected president of the Storage Equipment Manufacturers Association (SEMA). He is chairman and managing director of the Welconstruct Company.

★

Mr Howard Gamble. group treasurer of WESTLAND, will be taking early retirement in 1986. Mr Peter T. Swan has joined as group treasurer designate. Previously he was executive director of Midland Project Finance.

★

Mr David M. Kelly has been appointed group chief executive at PA for Western Europe (including the UK) responsible for management consulting, computers and telecommunications and personnel services; as well as for PA computers and telecommunications and personnel services in North America. He was previously chief executive for the Pacific Region. Mr Neil Kilpatrick has been appointed chief executive of PA Management Consultants in the UK. He was director of operations. Mr Ken Macrae becomes commercial director for the PA Group. He was previously responsible for management and executive search consulting in the U.S. for PA.

★

BURGESS PRODUCTS (HOLDINGS) has appointed Mr Ian R. McWilliams as a director and chief executive. He has had experience at chief executive level with a number of organisations including the British Steel Corporation and British Oxygen. Mr McWilliams has also been appointed to the boards of Burgess Products Company, and Burgess Micro Switch Company.

★

Mr A. G. MacPherson has been appointed a director of STEWART ENTERPRISE INVESTMENT COMPANY. He is chairman of the RFD Group, and a director of Unitech.

★

The BANK OF SCOTLAND, from May 1, has appointed Mr R. J. J. Wickham, chief manager, London chief office, to the new position of divisional general manager, branch administration, London. Mr C. R. Stevenson, general manager's assistant, branch administration, London, becomes assistant general manager. Mr D. M. Gunn, senior manager at the Piccadilly Circus office, is to be chief manager, London chief office.

★

Mr John Lowe has been appointed director responsible for sales and development of POSTAL CENTRES (INTERNATIONAL), a member of the Taylor Harrison Group. He was previously with Rank Xerox.

★

Mr Alan Monk has joined SULZER BROS (UK) as director of the service division, concerned with the maintenance of heating and air conditioning equipment. He was with Haden Maintenance and director and general manager of the international division.

★

Mr John Taylor has joined COUTTS CAREER CONSULTANTS. He comes from the Hong Kong and Shanghai Bank (Trustee) where he was a director.

Following the death at the end of last year of Mr Ken Moore, financial director of GRANADA TV RENTAL, Mr Maurice Marks will be joining the board of Granada TV Rental as director of management services. He will continue as deputy chairman of Granada Computer Services and a member of the Granada Microcomputer Services board, but will relinquish his responsibilities as group development director and resign from the boards of Granada Theatres and Granada Motor Services. Following the retirement on March 15 of Mr Bryan Quilter from the Granada Group board, the following appointments will be made: Mr Derek Lewis, who joined Granada as group financial director in December 1984, will become chairman of Granada Computer Services. Mr Andrew Quinn becomes chairman of Granada Microcomputer Services and Fraser Peacock. He will remain managing director of Granada Cable and Satellite and will continue as co-ordinator to the DBS consortium. He will also remain a director of Granada Television, but will relinquish his duties as general manager. Mr Alex Bernstein will take over the chairmanships of Granada Theatres and Granada Motorway Services, formerly held by Mr Quilter. Sir Denis Forman, chairman of Granada Television and deputy chairman of Granada Group, will have overall responsibility for group personnel. Mr Quilter will remain on the Granada TV Rental board as a non-executive director.

★

PARKLAND TEXTILE (HOLDINGS) has appointed Mr Barrymore J. Spencer as chairman to succeed Sir Richard Denby who has retired but who will continue as a director. Mr Spencer joined the company in 1948. For the past 10 years he has been group chief executive and will continue to hold this office.

★

Mr Derek J. Allison, managing director of Purfleet Deep Wharf and Storage Co. has been appointed a director of ASSOCIATED NEWSPAPERS HOLDINGS.

★

Promoted to the main board of FITCH & COMPANY DESIGN CONSULTANTS are Mr Giles Marking, director; shopping centres; Mr Bryan Green, director, offices and property development; Mr Richard Pullen, director, travel and leisure; and Mr John Besford, product design.

★

Mr Thomas F. Gaffney has been appointed president of CHASE MANHATTAN, London-based merchant banking subsidiary of the Chase Manhattan Capital Markets Group. Mr Gaffney returns to Chase after 13 years secondment as managing director of Libra Bank. He will head Chase Manhattan activities in Europe, the Middle East and Africa and will continue as a member of the board of Libra.

★

BRITISH RAILWAYS has appointed Mr Colin Driver as director, railfreight. He succeeds Mr Henry Sanderson who is retiring in early April. Mr Driver has been deputy general manager of BR's Eastern Region for the past three years. He is succeeded by Mr David Rayner, deputy general manager for London Midland Region.

★

The ROYAL WARRANT HOLDERS ASSOCIATION has elected the following to serve for the ensuing year: president—Count Alain de Vogue, chairman and managing director, Veuve Clicquot-Ponsardin; vice-president — Mr Timothy W. Sandeman, director, Geo. G. Sandeman Sons & Co; hon. treasurer—Mr Edward Rayne, chairman and managing director of H. and M. Rayne.

★

Mr J. W. Herbert is to join the board of CHARTER CONSOLIDATED as a full-time director. At present managing director of Paxman Diesels, he will take up his appointment with Charter during April.

★

Mr T. W. Waller has been appointed secretary of COOKSON GROUP.

★

Mr Henry Cheong, a director of Vickers da Costa & Co, Hong Kong, has been appointed a director of VICKERS DA COSTA, stockbrokers. Mr Rupert Hardy, Mr Trevor Harriman, Mr Mark Mobius (Taiwan), Mr George Nimmo (Tokyo), Mr Keith Pattinson (Tokyo), Mr Peter Robson, Mr Chris Smith and Mr Stephen d'Anyers Willis have been appointed to the senior management of Vickers da Costa.

★

Ms Joy Weston, concessions controller for HORNES RETAIL since September 1982, has been promoted to concessions director.

★

TARMAC housing division has made several promotions. Miss Teresa Evans becomes director and general manager of McLean Homes Scotland. At Thamesway Homes Mr Steve Karsden, formerly general manager, has been promoted to managing director. He is joined on the board by Mr Leon Tusz, responsible for estimating and buying. Tarmac Homes South Yorkshire has appointed Mr Tony Issitt as director responsible for estimating and buying. McLean Homes South has appointed Mr Nigel Curry as sales and marketing director. The company's new production director is Mr Bill King.

★

MEGGITT HOLDINGS, Poole, has appointed Mr James R. Dawson as managing director of the subsidiary, Meggitt Machine Tools and Equipment. He was manufacturing system director of Kearney and Trecker Marwin.

★

Mr Barry Stones has been appointed civil engineering director of contracts with HENRY BOOT NORTHERN, Dronfield.

THE ARTS

Architecture/Colin Amery

Pastiche beyond the rainbow

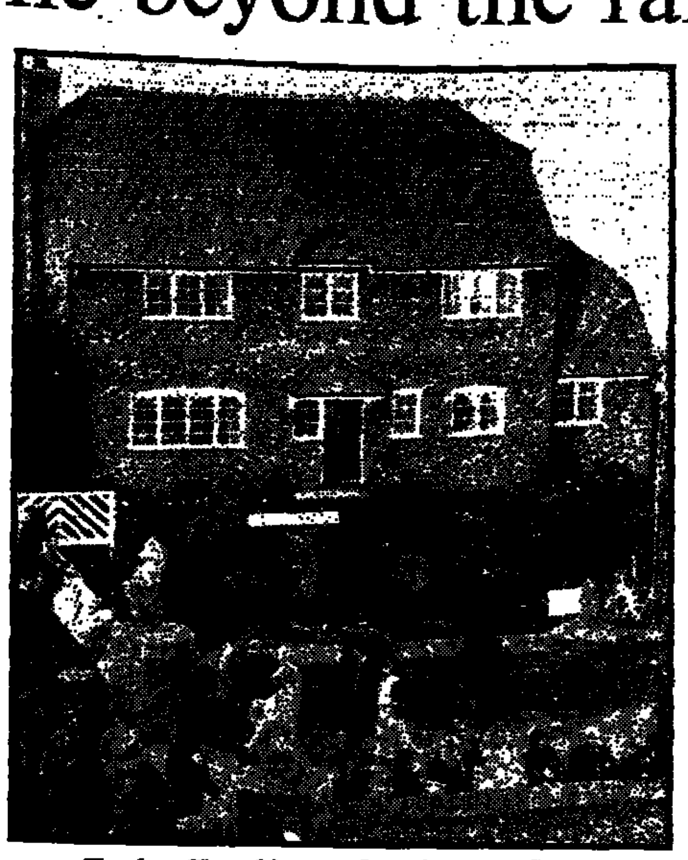
In case you had ever wondered what is at the end of the rainbow, the answer is to be found until the end of the month at *Earls Court* in London. A large glittering plastic rainbow arches over the vision of an ideal English village conjured up for visitors to the annual Ideal Home Exhibition. The end of the rainbow rests in a pool at the foot of the magic castle—a myriad of turrets soaring into the blue distance.

What does it all mean? This is the annual display of the kinds of houses that Mr and Mrs Average Brit are supposed to desire. This year the nation's builders have excelled themselves and created a fantasy *world* that is a cross between Beatrix Potter and *To the Manor Born*. Indeed the house of the year this year is "based on the typical Cotswold Manor House seen *in* so many parts of the West Country." This bastard version of a vernacular *house* is the product of a company ASPP Limited that sells to potential builders books of house plans in a series of styles from American and French, to Australian (Australian?) and Spanish.

The house of the year *is* large and entirely built of that particularly ghastly material that has defaced so many towns and villages, Bradstone—a reconstructed artificial stone that the manufacturers claim is the aesthetic alternative to natural stone. It comes in a range of colours and sizes—the house of the year is in "weathered Cotswold"—and even from a distance it looks decidedly fake. In *fact the* creation of this horrible material is an example of the enormous waste of effort that affects some parts of the building industry.

Why extend so much energy producing a material that will never look as good as the real thing? Why not devote the energy to finding a more economic way of using real stone that is native to its area and will *weather and improve with* age.

If anyone visiting us from Mars was told that hundreds of apparently intelligent mortals spend four weeks every spring shut away in a large hall creating a fake village of life-size *houses* and that other possibly *intelligent mortals actually* wait in long lines to tour the insides—they would be right to question our sanity.



Charles Church's popular Keeper's Cottage *house design keeps modern design at bay*

Even more bizarre are the surrounding sideshows to the village circus. There are clockwork dogs that turn a complete somersault whenever their owner claps his hands, machines that drill holes in the bottom of glass beer mugs *(an answer to the drink and* drive debate?), a device that twirled around a cucumber to produce a long corkscrew of mutilated vegetable for the "summer buffet."

Have you tried the wonderful *new piece of equipment that* even Heath Robinson never quite mastered? Now, today after years of research it is possible with the aid of this *unique tool to clean both sides* of your windows at the same time. A simple magnet keeps the two sponges together so that parallel tracks of cleanliness can be followed all over both window surfaces at once. I cannot quite understand why this ingenious instrument is not used all over the world. It would be *particularly* valuable in tower blocks, where it might actually save lives.

In the midst of all this world of water softeners and double glazing lies a serious dilemma. Are these the homes that *most* people want or are the house builders such philistines and vulgarians that they cannot see that they could do better?

What *is* the point of the *illusion* of a house like that which seemed so popular at this year's exhibition? Called the Keeper's Cottage it is a superficially *charming character faced in* brick with knapped flints and faintly Gothic windows. Inside, of course, it is totally unlike any keepers cottage that I have seen and *is* as bland and *featureless* as any other spec. built modern house. The building company, Charles Church, is known for the high standard of its construction but it is said that the same thing cannot be said of design. Church reckons to build *700 houses a year and none will* break any design boundaries or offer anything other than the most dreary conservatism.

What is on offer at this show *is a pathetic* reflection of the past. Almost all the developers and designers of furnishings seem to think that dim pastiche is enough for the British public. They only buy it because so little else is on the market.

What are our architects doing about the vast domestic market? It would be wonderful to be *encouraging and say that the* profession as a whole was making a serious effort to raise the design standards of the domestic market. Alas, it is exceptional *for architects of any quality to* work for the mass market. Some *do*—Jeremy Dixon's work for Costain in London's Dockland looks promising, but it is *a rare example.*

Surely now it is not necessary to present our domestic dreams in a world of plastic water lilies and decoy ducks and fake heraldry. In *one corner of* Earls Court is an exhibition stand called Kiddie Kottages (sic)—miniature houses for children that are, of course, thatched and half-timbered. As *one visitor* was overheard to say, "It's just like the real thing . . ." Too true, too true.

Norma/New, Cardiff

Max Loppert

Rushing in, as ever boldly, where all our other regional companies fear to tread, the Welsh National on Friday showed Cardiff the first British *Norma* to *be given outside London for a* very long time. The reasons for not attempting to add Bellini's masterpiece to a company's repertory are obvious enough. Its demands on singers, above all on its leading soprano, are now seldom answered even in the world's leading theatres — and the singing of the work *is only the beginning.* For *Norma* is the great bel canto tragedy; and the Norma who fails to draw the grandest dramatic emotions from the *moulding of its vocal line is, in* the end, no less inadequate to the task than the soprano who smudges or shirks its roulades, its runs, its *fioritura.*

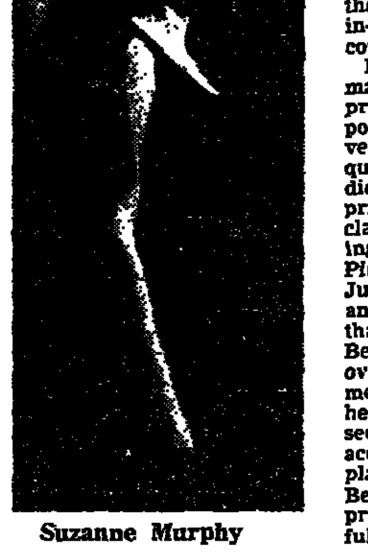
Judged by the highest standards —a cruel but unavoidable position for a critic to take — Friday's performance must be accounted a failure. But it is a *failure of an honourable, distinctive,* often striking kind, worth more than many international "successes." Its emphases are differently made, as *one might expect in a production* by Andrei Serban, who, with designer Michael Yeargan, was responsible for the WNO's previous bel canto surprise, the *new-look Puritani.*

With a vengeance Serban *scrapes away the statuesque* poses and attitudes usually deemed appropriate to this opera. Hieratic ritual is imbued *with a strong sense of theatrical* gesture, supported by a crucial (and, by the end, excessive) use of half-masks. As well as creating some ravishing "*ruined Pompeii*" vistas (*but* why so much ruin in ancient Gaul?), the set affords, with its smoke billowings (rather uncontrolled on Friday) and *moveable stage floor (ditto),* an interesting underscoring of the private drama. The emotions of the central triangle are, indeed, rawly played out; *nothing* has been *taken for* granted, and such a treatment of the work is, at the very least, refreshing.

But it has gone too far. More *than once one is left wondering* whether at some point the producer lost confidence in the expressive force of the music, for he regularly breaches its formal patterns — when the chorus stands still during its departure music only to be moved off to the entrance music of the next scene, the effect is wilful, musically jarring, dramatically unhelpful.

The production has been altogether over-embellished. Norma and Adalgisa must give her children a *wash-down while* threading their way through the final duet-cabaletta (in the proper high key of F), a hair-raisingly difficult piece; it's as if the audience is being told, "You see, none of that old prima donna stuff here!", rather than being offered a sensitive new blending of music and drama. And on any reckoning the rewritten finale—it is *not* Pollione but Adalgisa, a silent presence throughout, who mounts the pyre with Norma—makes no kind of sense whatsoever. The core of this *production* is sound. The surface needs pruning.

Suzanne Murphy, Elvira in *I puritani*, takes the title role. She is tall, beautiful, dramatically *alert; she has worked hard* at the Italian text; she gives herself totally to the production. On Friday the vagaries of her vocal method seemed to deny her the full success one so much *wanted her to have.* In low middle registers, "white" and unresonant, the articulation of all-important recitative tended to blur; higher up, there was a *feeling of hit-and-miss*—sometimes the line was hooty and ill-tuned, sometimes astonishingly bold, clear, and free. She worked closely and well with *the warmly tender, vulnerable* Adalgisa (properly also a soprano) of Kathryn Harries, an improved but not yet completely focused singer. By these two, the feeling of drama-in-the-music was only fitfully conveyed.



Suzanne Murphy

Frederick Donaldson, Pollione, made the most Italianate impression, though his style needs polishing. Of Harry Dworchak's very strong Oroveso a similar qualification could be made — did anyone, I wonder, give the principals a preliminary "master class" of the finest *Norma* singing, from Lilli Lehmann and Pinza *onwards, on records?* Julian Smith began as though an adherent of the Muti rather than the Serafin school of Bellini conducting, taking the overture at a lick that made its melodies sound trivial. Later on he calmed down to prove a seemly and knowledgeable accompanist, but the orchestral *playing failed* to do justice to Bellini's simple but (in the proper circumstances) wonderfully effective scoring.

Number Three/Covent Garden

Clement Crisp

The use of easel painters to decorate stage works dates back in direct line to Savva Mamontov's *Opéra Privé* stagings in Moscow a hundred years ago. The procedure found its most brilliant realisation with the Diaghilev Ballet and was variously emulated thereafter. The Royal Ballet, in its *most imaginative* decorative years, when Sutherland, Burra, Piper, Hurry designed for the company, showed dance and painting eloquently united.

In recent seasons the pitfalls rather than the rewards of this policy have been manifest in stagings whose design has seen an artist's work imposed in *rather too arbitrary fashion* upon dance: a John Hubbard painting placed at the back of the stage for *Midsummer*; the emphatic Caulfield setting for *Party Game; Deanna Pether*bridge's complex architectural fantasies for *A Broken Set of Rules;* the substitution of Christopher Lebrun for Eugene *Berman (a painter equally* master of stage imagery) in *Ballet Imperial.* The honourable exception has been the Victor Pasmore setting *for Young Apollo,* nobly apt for the spirit of the work. And in every case save this last, the costuming has proved either dull or unflattering.

The latest station in this *via dolorosa* of décor is Michael Corder's *Number Three,* seen for the first time on Saturday night, *with* design by the American abstract painter Helen Frankenthaler. That there existed some lack of accord between Mr Corder and *his designer* was made clear by a programme insert which reports that the choreographer "has expressed some doubt as to whether the ballet will be *shown to* better advantage in the costumes which Miss Frankenthaler has designed, or in simple white costumes."

Mr Corder's doubt, on this first viewing with designed costume (alternate performances are to be given in white unitards, a quaint "his and hers" compromise) seems justified. *The ballet is a work of plotless* classicism set to Prokofiev's third piano concerto, centred on a trio—Lesley Collier partnered by Mark Silver, Bryony Brind as a more isolated figure—with three subsidiary soloists and a large corps de ballet to explore the music's textures and mass *in varying permutations of* triads. It is clean, well shaped in its first two movements. It is in the finale that Mr Corder's concern to match compositional *weight and structure* brings a feeling of over-crowded invention, though it may well be that later performances will produce clearer definition in the crossing lines and eddies of the choreography.

It is, though, a work of fluent craftsmanship, the sparkling Lesley Collier, Mark Silver and Bryony Brind—seen once again as the dominant figure estab*lished in Mr Corder's Party Game*—well displayed.

Helen Frankenthaler has provided back-drops for each movement, something of an *embarras* of abstract riches, of which the second is handsome in its inky mass and calligraphic brushwork and the third, with its pervasive red wash, too oppressive for the choreography. The all-over tights worn by the dancers, mottled and striated with colour, emphasise the wearers' bulk rather than their linear qualities, with only Miss Brind's etoliated physique looking good in silvery blue fleshings.

It has to be said, too, that the piece is depressingly lit. One has but to recall the marvels achieved by Jennifer Tipton's lighting in creating mood, in imbuing dances with a three-dimensional clarity, for dances *in London* and *New York,* to sense what is so sadly missing here. With white costumes, revised lighting, *Number Three* should bear better testimony to *Mr Corder's gifts.*

The evening was disappointing in its other components. *The Firebird* seemed far less than a masterpiece thanks to a *slumbrous account of the score* and an underpowered potrayal of the magical bird. Jiri Kylian's *Return to the Strange Land* returned to the stage look*ing even more like choreo*graphy for skaters embellished with hollow emotional attitudinising—*Angst on Ice.*

The New Hardware Store/Arts

Martin Hoyle

In 1970 Trinidad had a *revolution so gentle that few* of us have heard of it, its results so transient that it was virtually ineffective. The last offering of this year's Black Theatre Season at the Arts Theatre gives us a metaphor of cynical post-revolutionary Trinidad in the shape of the hardware store lately taken over by A. A. Ablack, former proprietor W. Cherry (white).

As Rooso, sandwich-board and odd-job man by day, security guard by night, bitterly remarks of his white ex-employer, "We had an understanding: I battling him, he battling me." But exploitation by his own kind, the blustering Ablack, is harder to take. The second part of Earl Lovelace's play turns into a free-wheeling fantasy where the two men embody various attitudes and the two women staff-members respond, first to *authoritarian paternalism* then to the call of cultural dignity and self-discovery.

Mr Lovelace is both poet and novelist, and this lyrical debate *(at times curiously* recalling the show-down between the old king and the newcomer in Sam Shepard's *Tooth of Crime)* needs more flexibility than *Yvonne Brewster's direc*tion can give it. It would go ideally on radio. As it is, despite telling points on the cultural and economic colonialism that is more insidious than the political ("We will import a life *for* you and assemble it locally") there are moments of *confusion when Allister Bain's* boss, lapsing from his habitual air of comic outrage, indulges in rant and splutter. His assumption of The Midnight Robber, a traditional carnival figure epitomising acquisitiveness and bombast, is often incomprehensible.

As the antic Rooso who comes to life only in calypso Jim Findley, looking like the late Haile Selassie, convincingly suggests the pride beneath the resignation. Joan-Ann Maynard (Mr Findley's opposite number in Matura's *Playboy of the West Indies)* is wasted, for all her restrained emotional power, as the spinsterish book-keeper; as is Janet Palmer, a pretty secretary mistakenly believing her A levels to be the key to a better future.

Tom Conti goes into 'Two into One'

Tom Conti will be taking over the role of George Pigden, originally created by Michael *Williams, in* Ray Cooney's comedy *Two Into One* at the Shaftesbury Theatre from March 18 for six weeks. Other leading roles will be taken by Eric Sykes, Donald Hewlett and Angela Brown.

The play's summer season begins on April 29 with Michael Williams back in the cast and *with Anton Rodgers,* Moray Watson, Wanda Ventham and Kathy Staff.

BBC Symphony/Festival Hall

David Murray

In two weeks Pierre Boulez *will be 60, and the* BBC—always solicitous about birthdays—marked the occasion with another concert on Friday, this time on the South Bank. Like *the first concert last Tuesday,* in Maida Vale, it included the last big Boulez piece without electronics, the 1975 *Rituel: in memoriam Bruno Maderna,* but this time in company with *four* 20th-century classics that Boulez has long admired. An excellent programme, with committed (if not note-perfect) playing; and it supplied further evidence that this famously austere musician is mellowing.

On this page Andrew Clements reported some disappointment with the *Maid Vale Rituel.* Probably the deeper reaches of the Festival Hall suit it better, and perhaps the second performance was tighter; at any rate *its* gentle grip never loosened, and it sounded ravishing. Boulez's instrumentation approaches here the plangent tone of Messiaen's—the ripples and geysers of the woodwinds aren't far from Messiaen's stylised bird-calls. It is a score of mourning arabesques and grand punctuations like columns, a lucid *frieze* that doesn't "develop" but only expands, as the various instrumental groups come to join in this "litany for an imaginary ceremonial." *It struck me that* the newest Boulez, the lovely miniature *Dérive,* shares the *Rituel* pattern of bubbling eddies and undertows around a slow, deep pulse.

Boulez conducted Stravinsky's Symphonies of Wind Instruments in the original version, with the essential alto flute, and as usual got its diction and *its glassy colours* precisely right. It has the surface form of a collage, and this time the switches from one "symphony" to another were negotiated a little less convincingly than I've heard Boulez do before. Similarly, the fine hard line of Webern's op 30 *Variations* was less taut: one noticed expressive paragraphs more than the old rigorous cogency.

Webern's early Passacaglia was less tight-lipped, too. The beginning was strongly pointed (sometimes an audience almost misses it), but later Boulez allowed dramatic orchestral gestures to take the foreground, letting welcome air into a piece that is diminished by strict exposition. Analytic ears might have missed some elements that got submerged, as also *in* Berg's seminal Three Pieces, op 6. But the impassioned ferment of Berg's writing must be felt in performance, and it was, excitingly: if an occasional voice was lost in the mêlée, that was neither here nor there.

Artistic director

John Retallack, founder and artistic director of the Actors' *Touring Company, has been* appointed artistic director of the Coliseum Theatre, Oldham. His first production will open the autumn season.

Other Places/Duchess

B. A. Young

One for the Road, the third of the three short plays by Harold Pinter that make up the evening, is the most interesting, though its material is all too familiar to anyone who has read *about interrogations in* totalitarian lands. Nicolas (Colin Blakely) is the interrogator, a portly man of mutable disposition, ostensibly friendly at *one moment,* quietly threatening the next. We first see him with Victor (Roger Davidson), already on his last legs. Nicolas taunts *him with thoughts of his wife* and son before turning to more positive business. "I love death," he repeats, adding as an afterthought, "of others." "You can go," he says briefly, and Victor staggers off; to be replaced by his son, seven-year-old Nicky (Simon Vyvyan, but *sometimes Daniel Kipling).* A few words about toys, then a harsh reminder, "You spat at our soldiers and kicked them." Nicky is sent off, but not by the *same door* as his father.

Then the wife (Rosie Kerslake), even more bedraggled than Victor. The talk is about the number of times she has been *raped* by the soldiers upstairs, then she too is sent away. Victor is brought back, a little less bedraggled. He is told he is free, and, barely able to speak, asks for his son. "Oh, he was a little prick," Nicolas tells him casually: and the play ends. And that is all, just a wretched glimpse into a ghastly *world, only too* convincing.

The other two pieces both show Pinter with good ideas not fully pursued to their conclu*sions. Victoria Station suggests* black revue sketch (and wasn't there a similar one, decades ago?) A radio controller is calling one of the taxis in his fleet; but the taxi *driver either* answers irrelevantly or not at all. Ultimately he confesses that he has a girl on the back seat. We may furnish our own *conclusions* about the state of the girl. Colin Blakely is the controller, Roger Davidson the driver, seen dimly behind the wheel of his Cortina.

A Kind of Alaska ought to have been the best of the three, and not only because it has Dorothy Tutin. It is derived from Oliver Sacks's book about the sleeping sickness patients who were aroused from long sleeps by injections of L-Dopa. Deborah (Miss *Tutin) has slept* 29 years since she succumbed at the age of 16. When doctor Blakely awakens her, she lies, mouth open, her eyes seeking for a *familiar feature and finding* none. Her recollections are of being 16, but they are vague. She tells haltingly of what she has dreamed in her long sleep, of dancing in a vast hall *of* glass. The drug wears off, the wals close in on her, and with convulsive movements she slips again into unconsciousness.

With *so much scope for* imagination, I found it disappointing that Pinter hadn't either restored her more convincingly to her 16th year, or given her more tell about her absence. Back to Dr Sacks's book, I *think.*

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* 7-day deposits 11%. 1 month 11.75%. Fixed rate 12 months £2,500 11.75%. £10,000 12 months 12.00%.

† 7-day deposits on sums of under £2,000 11%. £2,000 up to £10,000 12%. £10,000 up to £50,000 12¼%. £50,000 and over 12½%.

‡ *Call deposits* £1,000 and over 11%.

‖ 21-day deposits over £1,000 12½%.

¶ Mortgage base rate.

§ Demand deposits 11%.

** See Provincial Trust Ltd.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

March 8–14

Music

LONDON

Royal Philharmonic Orchestra, conductor Edward Heath; Nigel Kennedy, violin: Rossini, Vaughan Williams, Bruch, Beethoven. Royal Festival Hall (Mon). (928 3191).

Bach 300 Festival with London Bach Society and Steinitz Bach Players: *Bach's cantatas for the Royal House* of Saxony and Leipzig University. Queen Elizabeth Hall (Tue). (928 3131).

PARIS

Christa Ludwig recital: Erik Werba, piano (Mon). Théâtre de l'Athenée (742 6727).

Orchestre Colonne conductor, Antonello Allemandi, Raphael Orozco: *Chopin, Mahler (Mon).* Salle Pleyel (561 0630).

Trio Eysseric: Haydn, Beethoven, Schubert (Mon). Salle Gaveau (563 2030).

Ensemble Intercontemporain, conductor Lawrence Foster: Copland, Machover, Monnet, Stravinsky (Mon). *Théâtre du Rond Point (256 7080).*

WEST GERMANY

Frankfurt, Alte Oper: Lieder recital by Dietrich Fischer-Dieskau; Hartmut Höll, piano, an all-Brahms evening *(Mon).* Ivo Pogorelich, piano recital: Schumann, Prokofiev, Chopin (Wed).

Berlin, Opera: Lieder recital by Brigitte Fassbänder; Irwin Gage, piano: Schumann, Berg, Liszt and Richard Strauss (Tue).

ITALY

Milan: Teatro alla Scala: Vladimir Ashkenazy piano recital, Schubert sonatas and Rachmaninov's Variations on a Theme by Corelli (Mon). (809126).

VIENNA

Haydn Festival 1985: BBC Welsh Symphony Orchestra with BBC Welsh Choir, conductor Roger Norrington, Eiddwen Harrhy, soprano; Carolyn Watkinson, alto; Maldwyn Davies, tenor; Stephen Roberts, baritone. Handel and Haydn. Musikverein, (Mon). (658190).

NEW YORK

Carnegie Hall: Alban Berg Quartet: Philippe Entremont, piano: Mozart, Berg, Schumann (Mon). National Orchestra of New York: Lukas Foss *and Alvaro Cassuto conducting;* Yehudi Menuhin and Edna Michell, violins: Schumann, Brahms, Foss (Tue); The Israel Philharmonic: Zubin Mehta conducting; Izhak Perlman, violin; Avni, Tchaikovsky (Wed); Israel Philharmonic: Zubin Mehta conducting: Tal, Mozart, *Mahler (Thur).* (247 7459).

WASHINGTON

National Symphony (Concert Hall): conductor Mstislav Rostropovich, Leon Fleischer, piano: Berlioz, Ravel, Shostakovich (Mon, Tue). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): *Youth Concert, conductor Henry* Mazur, Amy Oshiro, violin; Bradley Opland string bass: Squire/Miller, Mendelssohn, Vanhal, Verdi (Wed mat). Chamber Music Concert: *Chadamian* Trio: Beethoven, McCabe, Schubert (Wed). Rafael Kubelik conducting: Edgar Krapp, organ: Kubelik, Beethoven (Thur). (435 8122).

Saleroom/Antony Thorncroft

British art for all

British paintings come into their own this week with auctions at all the four main salerooms. Sotheby's should set the highest prices for works *by Constable, who has been* rather over-shadowed by Turner in recent years. But a family portrait of the Lambert children, whose whereabouts was unknown until *recently,* and an early oil sketch of Flatford Mill, should both sell for over £100,000.

This sale is on Wednesday. The next day there is a fine auction of British watercolours and drawings, including the *last* known dated drawing from Constable, of October 15 1835. But the most important item on offer is a watercolour by William Callow of the Pont Royale in Paris. Produced in *1839, it is considered* the finest of his works to appear on the market, and should fetch £30,000.

Christie's auction on Friday includes an interesting group of paintings by artists of the Newlyn School, active in Penzance in the 1880s. There will be keen *bidding for* "*The jubilee hat*" by Frank Bourdillon, a *pretty genre* scene showing a woman admiring the hat she has made to celebrate Queen Victoria's golden jubilee. Bourdillon worked as an artist *for* only *12 years; he became a* missionary and gave up painting *for good* in 1892. *This work* could sell for £50,000.

Spencer Gore, Christopher Wood, and Walter Greaves are among the early 20th-century *British artists now collected* keenly, and all have contributions in this auction, sometimes with estimates below £1,000 for small sketches. A the other *extreme,* a painting by Sir Winston Churchill of a café in St Jean de Luz is estimated at up to £3,000. There also are works by Helen Bradley, Lowry(in *profusion),* John Piper, William Roberts, and many more, in an excellent sale.

Phillips' most important picture on Tuesday is a view of *Stirling by Alexander Nasmyth,* which carries an upper estimate of £25,000; while at Bonhams on Thursday "the fourth love painting" by David Hockney is effered with an estimate of £20,000-£30,000. It was painted in 1961 when it was priced at £30. All in all, anyone interested in British art from the 16th century onwards will have an unrivalled opportunity to buy, and *to look at,* 1,200 paintings, drawings, etc., priced *from £60 upwards.*

Elsewhere in the auction rooms on Thursday' Christie's is selling a George Cross awarded to Sgt Michael Willetts of the Parachute Regiment for an act of bravery in Belfast in 1971. *It carries* an upper estimate of £12,000.

FINANCIAL TIMES

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Monday March 11 1985

Let the arms talks begin

THE NUCLEAR ARMS negotiations which open tomorrow in Geneva promise to be a long, complex affair, and it is as well to recognise from the outset that the prospects for an agreement are unusually uncertain.

The first uncertainty is whether these will be real negotiations, in the sense of bargaining with a shared purpose of discovering whether there is a basis for a deal. U.S. policy, as a result of President Reagan's public commitment to the Strategic Defence Initiative, is to aim at the ultimate reversal of the doctrine of mutual vulnerability, which has underpinned all previous arms control talks. And to judge from Moscow's incessant propaganda *barrage against the SDI, even* before negotiations begin, it may be doubted whether the Soviet Union is entering the talks in any constructive frame of mind.

Political appeal

The moral and political appeal of President Reagan's quest for an effective defence against nuclear weapons is unimpeachable; the problem for the U.S. Administration is finding a way to weave this laudable aspiration into the arms control *process in such a way that it* enhances America's security. For if the U.S. were to start to test and/or deploy new defensive systems unilaterally, without detailed agreement from the Soviet Union on what would and what would not be permitted, the most probable outcome would be a double arms race, in offensive as well as defensive *weapons.*

The Russians can have no desire for such a race. Quite apart from its enormous economic costs, they know that it would be dangerous and destabilising. Their problem is discovering how to get a handle on SDI, to ensure that the U.S. does not make a unilateral transition from research to testing and deployment. This problem is particularly acute because the policy aspiration for a new defence-offence balance exists primarily in the mind of President Reagan, based on an unbounded but so far unproven faith in the potential of American technology. If the Russians have taken the measure of Ronald Reagan, they can have little confidence that they can persuade him to renounce his aspiration—unless, conceivably, they make some quite unprecedented arms re*duction proposals in Geneva.*

Yet in rational terms it is hard to make sense of the ferocity of the Soviet propaganda campaign. The U.S. Administration says it will continue to respect the 1972 Anti-Ballistic Missile (ABM) treaty, which forbids deployment of new defensive systems without prior negotiation between the two superpowers. The U.S. research programme is only just gathering momentum, and it may not produce usable results for many years, if ever. For at least the next 10 years, according to the *now-standard formulation put* out by Mr Paul Nitze, chief arms control adviser in Washington, the nuclear balance will continue to depend on mutual vulnerability and the threat of retaliation. Getting a handle on SDI may be important to the Russians (in spite of the fact that they are conducting their own research into the self-same advanced technologies) but it cannot be described as urgent.

Moreover, U.S. spokesmen have started to append important caveats to the President's aspiration. Mr Nitze has laid down two very *tough criteria* which must be satisfied before any new defensive systems can be deployed: they must be largely invulnerable to attack—which must weigh heavily against any space-based systems; and they must be cheaper at the margin than additions to the enemy's offensive forces — which is probably an unattainable condition.

Soviet propaganda

In short, it may seem that the initial Soviet preference is *to try to get by propaganda* what they cannot secure at the negotiating table, a public recantation by President Reagan of his new strategic doctrine. If so, it is vital that the governments of the European allies adopt a common posture of vigilance and discretion. They should not appear to endorse the SDI objective, even impli*citly, by participating in the* research; conversely, they should avoid any public sniping at the U.S. negotiating posture. In return they should press for the closest possible consultation from Washington. The fevered diplomacy of Dr Hans-Dietrich Genscher, West German Foreign Minister, whose rushed visit to Moscow won nothing but insults from the Russians, is a locus classicus of what not to do.

Perhaps the best hope for these negotiations is that they should last a very long time indeed. Time and research may reduce American aspirations to more modest proportions; time may even make possible a constructive re-think of the role of defence in the nuclear balance. But meanwhile the top priority must be to prevent Soviet propaganda from driving a wedge between Europe and the United States.

Greece shifts to the left

MR ANDREAS PAPANDREOU, the Socialist Greek Prime Minisetr, took a number of gambles when he decided to back a political unknown, Mr Christos Sartzetakis, in next Friday's presidential elections, rather than the conservative incumbent, Mr Constantine Karamanlis. Mr Papandreou *gambled that he could marshal,* in addition to his own Pasok party, not only the Communists but also enough independents to have his candidate elected. That ought not to prove too difficult.

It will be a good deal harder for Mr Papandreou to persuade the allies of Greece that the sudden change he has made to the Athenian political mosaic has not ushered in a period of increased uncertainty about Greek foreign policy attitudes. What may prove hardest of all will be for Mr Papandreou to *retain control over the shift* to the Left which he has initiated by dumping Mr Karamanlis.

The uneasy symbosis that Mr Papandreou and Mr Karamanlis had established was widely interpreted in Greece and abroad as a guarantee that the Pasok government would in practice prove more moderate than its anti-Nato, anti-EEC and anti-American platform of the election in 1981 would have implied. That moderation is now in question.

Unpredictable

Pasok had undertaken to submit Greek membership of the EEC to a referendum which has never been held. The formal *reason advanced was that only* Mr Karamanlis, as president, had the power to call it. The real reason is that the economic advantages of membership have become widely accepted in *Greece. The matter ought to be* closed if it were not for the unpredictability of the Prime Minister.

Where Nato and, more especially, the American alliance are concerned, Mr Papandreou's Athens has blown both hot and cold. After threatening to close down the U.S. military bases in Greece, Mr Papandreou eventually agreed to their remaining.

Washington was clearly exasperated by Mr Papandreou's threats, though he rarely carried them into practice. But the Americans did maintain a measure of even-handedness in their dealings with Greece and Turkey. By dropping Mr Karamanlis, Mr Papandreou has risked provoking the U.S. into leaning towards the Turkish side in the disputes between Athens and Ankara about Cyprus and about the Aegean islands.

Mr Papandreou must have known that he was running that risk. The question, therefore, arises, why he decided to break his tacit alliance with Mr Karamanlis almost at the last moment. The explanation appears to lie in the needs of Greek domestic politics. Parliamentary elections must be held this year and Mr Papandreou appears to have come to the conclusion that an opening towards the Left, rather than the Karamanlis connection, was most likely to help Pasok retain power.

By nominating Mr Sartzetakis, who has a proven record *of independence of mind,* Mr Papandreou may have tried to keep the support of some voters to the right of the Pasok mainstream. But the Prime Minister has decided that his chief hopes must rest on the Left. Political passions are strong in Greece; the civil war of the 1940s is not forgotten. The dictatorship of the colonels, ended in 1974, still arouses tempers. Washington's good relationship with the colonels is not forgiven by the opponents of the junta.

The breach between Mr Papandreou and Mr Karamanlis, *and the resignation of the lat*ter, threaten to stir up these and many other enmities. Mr Papandreou will be hard put to keep in check the forces which he has released. The unpredictability which has characterised Greek policies is likely to be much increased.

U.S. CHIP MAKERS

'Business stinks . . .'

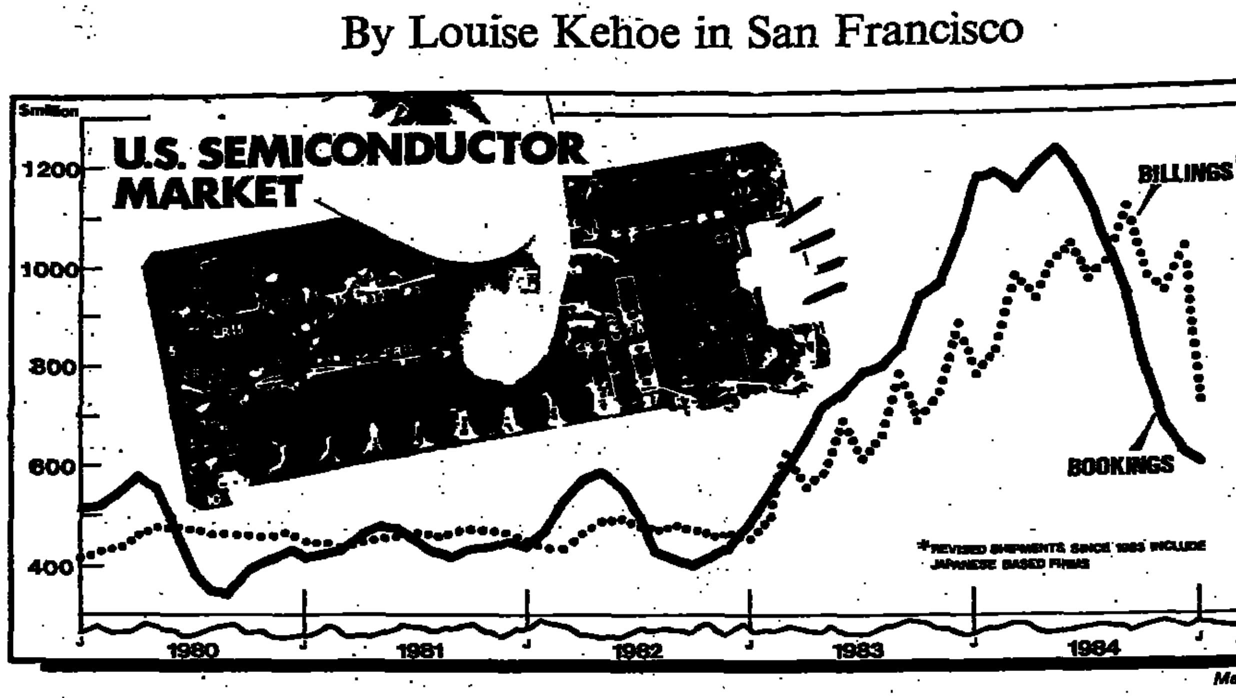
By Louise Kehoe in San Francisco

WE HAVE fallen off the cliff," says Dr Gordon Moore, chairman and co-founder of Intel, one of Silicon Valley's leading chip makers.

After racing upwards to near 50 per cent growth in 1984, the U.S. semiconductor industry has tumbled into a free-fall dive that has industry leaders and economists perplexed.

What began as a "short-term inventory correction" in late 1984 has turned into the most dramatic decline ever experienced by the highly volatile U.S. semiconductor industry. "I've never seen anything like it in my 17 years in the *industry," exclaims Mr Charles* E. Sporck, president of National Semiconductor.

It has taken the American chip makers just six months to swing from record high sales to a situation in which, as one senior Intel executive puts it succinctly, "Business stinks." Industry leaders have given up trying to predict when the up*turn will occur and are instead* speculating about when the bottom will be reached.



Martyn Barnes

"We expect to see a levelling off and then improvement over the next few months," says Mr Charles E. Thompson, senior vice-president and director of marketing for Motorola's semiconductor sector. "I'm in marketing, so I'm always an optimist," *he adds.*

But others fear that there is worse to come for the chip makers. January sales were down 31 per cent from a year *earlier, according to the Semi*conductor Industry Association. February's figures are not yet available, but are not expected to show a significant improvement.

Morale is very low. "We are looking for stabilisation. We hope that the second quarter will be a little better than the first," says Dr Moore. Some chip buyers have given Intel clues that they may be ordering more parts over the next three months, he explains. "But maybe it is wishful thinking. I'm not especially optimistic. There has been no improvement in order rates this month," he admits. "We've come down so far. . . . The short-term outlook is not good."

Symptoms of a serious decline in sales can be seen throughout the industry. Texas Instruments, the largest U.S. semiconductor manufacturer, made about 2,000 people redundant in December and January, "as a result of continued deterioration in world semiconductor market conditions." The company announced *last month that* it plans reduced output for the first six months of this year.

To cut overheads, Intel made 900 workers redundant last *month, the company's first job* cuts in 10 years. National Semiconductor took a two-week "holiday" in February, and is tentatively scheduling another shut-down in April. Signetics, Zilog, Monolithic Memories, Seeq Technology, Intersil—the list of companies cutting back on production gets longer week by week.

Among the worst hit by the current downturn are companies that concentrate on the memory chip sector. Micron Technology of Boise, Idaho, A dram (dynamic random access memory) chip maker, has cut its 1,250 workforce in half. United Technologies' Mostek subsidiary axed 600 jobs last week.

Underlying the sombre mood of Silicon valley and other high-tech enclaves is the lingering fear that the industry may be heading into a full-scale recession. It is already clear that, unless new orders for semiconductor parts start pouring in by May or June, the difficulties of the last few months will seem minor.

Boom and bust cycles are nothing new to the U.S. semiconductor industry. In fact the chip makers always seem to be on a steep ramp — heading either up or down. The industry can change direction almost overnight and its workers recognise as much. Advanced Micro Devices chairman, Mr W. J. Sanders III, likes to quote one of his production line workers who asked: "Will we be working overtime right up until the layoffs start?" Mr Sanders did not answer.

There is, however, growing frustration among U.S. semiconductor companies at their own inability to predict business trends. Industry leaders, most of whom were founders of the U.S. semiconductor business 20 years ago, feel that they ought by now to be able to forecast the timing of market swings. But each new down*turn seems to relate to a unique* set of circumstances that make comparisons with earlier cycles impossible. "I have to admit we are getting worse at forecasting, not better," complains Dr Moore.

Chip makers did realise as early as May 1984 that they were moving dangerously close to the edge even as order books were bulging. "We called it the personal computer cliff," recalls Dr Moore.

The chief danger was over-inflated demand. "In 1982-83 there were dozens of companies entering the personal computer market. Together they had business plans that would have provided one personal computer for every living person on the face of the earth and a few on the moon besides," says Mr Charles Thompson of Motorola. "There were a lot of reputable companies all going after 10 to 50 per cent of the market, and ordering semiconductor parts *accordingly. We tried to predict* who the winners would be and we avoided doing business with those who we considered shaky."

Chip prices have tumbled by an amazing 40-50 per cent in the past four months. Some are selling as low as 60 cents

The personal computer makers created "irrationally high" demand for microprocessors, memory chips and associated electronics parts. With their order books full, chip makers began to quote delivery lead times in months and years. That was enough to frighten other customers, says Mr Doug Newman, vice-president of strategic marketing at National Semiconductor. The prospect *of parts shortages forced all* semiconductor users—makers of mainframe computers, telecommunications equipment and the like—to place extra orders, further exacerbating the problem, he explains.

"It was a snowball effect," agrees Mr Gary Arnold. "The customers all have computerised ordering systems that are triggered by lead times. When lead times move out, they start ordering more parts."

Knowing what is happening is not always much help. "What are we supposed to do, refuse to book orders? Then today we would be looking at customers overstocked with our competitors parts instead of our own," says Mr Newman. "It goes goes against the grain not to accept orders," agree Dr Moore *at Intel.*

Neither does picking the eventual "winners" in the personal computer market offer much comfort to semiconductor *makers today. Intel, which is* 22 per cent owned by IBM, supplies the microprocessors and many of the other chips used in IBM's top selling personal computers. And National Semiconductor is a major supplier to Apple computer, the second largest U.S. personal computer manufacturer. Both chip makers face order cancellations and postponements.

"It is discouraging, when you look back and think, what could we have done better? What could we have done to avoid the current situation? I don't see a better route," says Dr Moore.

"*If personal computers had* not happened, then the industry would have grown by about 28 per cent last year, rather than 42-50 per cent," comments Mr Thompson of Motorola, "and we would be looking at another year of 10-20 per cent growth in 1985."

The dramatic impact of personal computer frenzy upon the semiconductor industry highlights its vulnerability to the next "electronic hoola hoop." Could it happen again? Could the U.S. semiconductor industry be high-jacked by a consumer craze? "Yes, if there were 50 or so companies making the hoola hoops," says Dr Moore.

But personal computers were not solely responsible for the 1983-4 boom. There is growing evidence of weakening demand from a broad range of semiconductor users.

"Everything appears to be soft. Everything is down at least a little bit," says Mr Harold Ergott, president of United Technologies Mostek. "While we see growth, it is nothing like we hoped for."

The growth rates of most major "end-user" segments of the semiconductor market are slowing down, agrees Dr Daniel L. Klesken of Montgomery Securities in San Fran*cisco.* "We have revised our 1985 forecast of zero growth in the semiconductor market to a 12 per cent decline."

Coupled with soft demand for semiconductors is a dramatic fall in prices. While chip prices typically decline by an average 30 per cent per year, they have tumbled by an amazing 40-50 per cent in the past four months. 64K dynamic rams, for example, are now selling for under a dollar, sometimes as low as 60c per chip. Last summer they were worth $3 each. So even after demand recovers, semiconductor makers will face an uphill climb to rebuild revenues.

Falling prices hardly encourage *customers* to buy in advance of their immediate needs. But another factor which is altering buying practices is the wave of enthusiasm for "just-in-time" delivery schedules that is rushing through the U.S. electronics and computer industries. Conventional delivery schedules would typically provide about six weeks' worth of inventory in a computer factory. The just-in-time approach reduces chip inventory levels to a few hours or less.

Declining profits have already persuaded most of the major U.S. chip makers to delay expansion plans formulated during 1983-84. But that is raising renewed concern about Japanese competition. Japanese semiconductor firms aggressively added production capacity through the 1981-82 recession when U.S. producers were cutting back. That placed the Japanese in a strong position to take advantage of the recovery. Industry analysts fear that American manufacturers may again be forced to cut spending, and once more lose market share to foreign competitors.

The growing electronics semiconductor trade deficit between the U.S. and Japan has long been a thorn in the side of the U.S. industry. During the good-old-days of 1983-84 there was, however, little time to spend on politics. Everybody in the industry was much too *busy filling* bumper orders. Now, the Japanese issue is again raising its head.

"The Japanese are a continued threat, but an order lost in bad times is harder to replace than in good times," says Mr Arnold. "They (the Japanese) are taking over the commodity (basic chip) market," adds Dr Moore, "and that is a lot of the market."

Most U.S. chip makers continue to call on Japan to open its markets, to create "a level playing field" for U.S. and Japanese competitors. They lobbied as a group for the bilateral elimination of semiconductor industry tariffs and were delighted when both coun*tries finally implemented zero* tariffs this month.

But faced with growing economic pressures in their home market and little solid *evidence of progress toward* opening Japanese markets, U.S. semiconductor makers may take off the kid gloves that they have worn in trade discussions for the past few years.

Already, Motorola is leading an industry push for import surcharges on foreign manufactured goods that is specifically designed to address Japanese electronics imports. The company is seeking the support of legislators for a measure that would impose a temporary, declining import surcharge *starting* at 20 per cent.

Other semiconductor makers do not want to give the Japanese any excuse for keeping *their markets closed to out*siders. But if diplomacy does not work soon, the semiconductor industry's self proclaimed "economic war" with Japan could become a lot bloodier.

Men and Matters

Ammonia Avenue

It has been ICI's year, and no misake. Last summer saw the release of an unlikely-sounding rock album called Ammonia Avenue, whose title track hymns the virtues of ICI's vast petrochemicals complex at Billingham on Teesside.

My report of this at the time, I believe, was tinged with a certain scepticism. It turns out to have been ill-founded.

At lunchtime today, the song's composer, Eric Woolfson, of the group The Alan Parsons Project, will present John Harvey-Jones, ICI's chairman, with a gold disc received for selling 500,000 copies of Ammonia *Avenue in the U.S. Sales of the* album around the world, says Woolfson, total to date some 2m.

Given that Harvey-Jones put Woolfson on to the idea in the first place—when they met last year on a flight across the Atlantic—ICI's chairman might perhaps consider a career as a rock impressario when he retires in two years' time.

He will, at any rate, be pleased to have his musical tastes so widely confirmed. He chose Ammonia Avenue as one of his eight records in a recent appearance on Desert Island Discs.

Tying the threads

Enlisting a cartoonist to help fight a takeover battle could catch on if Tootal manages to beat off the unwanted attentions of Entrad, Abe Goldberg's Australian company.

The Manchester-based threads-to-clothes giant, on of the big four of British textiles, last *year commissioned* cartoonist and illustrator Robin Ray (no relation to the actor) to draw some thumbnail sketches for its annual report showing how a mundane product like thread is woven into every *facet of* everyday life.

"Thread is vitally important to us—but terribly difficult to get across," Tootal explained. "So we went to Penman and Partners, our London advertising agency, and they introduced us to Ray."

Ray's sketches showed how thread *is used in a diversity of* products—tea bags, inflatable splints, bean bags, radar reflectors, tents and jeans.

By chance, Tootal had al*ready booked a "Get To Know* Us Better" set of adverts in the newspapers this year. And when the Entrad bid came along, the cartoons were seen as an ideal way of telling the public about the company and fighting off the Aussies at the same time.

If last week's news is anything to go by, Tootal is succeeding. Entrad decided to extend *its offer after the closing date* last Wednesday as it had only received 1.09 per cent of acceptances.

And if anybody wants to see both the and and the cartoons, they should buy the FT on March 19. Tootal has the lot displayed in colour.

Fine words

Geneva must produce more Geneva must produce more verbiage than any other city in Europe. And its productivity looks likely to peak in June this year when the International Labour Organisation goes into a 22-day conference.

So a vote of thanks now to the ILO veteran who is distributing to delegates and reporters a list of the phrases commonly used on such occasions—with their true meanings.

Thus, "I would like to tell the Committee something about the practice in my country . . ." signals the start of a long and tedious passage during which it *is safe to doze or go for a beer.*

Some well-worn political tricks are exposed. "The latest available statistics show clearly that . . ." means "the position has changed drastically but you can't prove it yet."

"No less than 13 firms in my industry have adopted this system successfully . . ." almost *certainly indicates that at least* 300 firms have rejected it.

Diplomatic nuances are elaborated "We would much like to study the full text of the remarks . . ." means "We didn't understand a word of it." And "your suggestion is good in theory but it will never work in practice . . ." means "it is absolutely right—but I'll get *skinned alive at home if I* accept it."

And finally, the time-honoured way of ensuring that dinner does not go cold: "We would like an adjuonrnment at this stage to give the Committee an opportunity to reflect overnight on this important question."

Steel billet

Bob Scholey, chief executive of *the British Steel Corporation,* now seems likely to take over leadership of Eurofer, the EEC steelmakers' association, much sooner than I expected.

Scholey's European colleagues — highly impressed with his recent work on the EEC scene — would like him to succeed Jan Hooglandt, of Hoogovens, the Dutch steel group, as Eurofer's non-execu*tive president next month.*

If, as I wrote last week, they had decided to wait for Scholey, aged 63, to retire from British Steel first, they might have waited for a long time.

Apparently Scholey has no intention of leaving BSC in the foreseeable future. I am told he harbours ambitions of at least matching the record of his predecessor, Ian MacGregor, and remaining active until he is 73.

"I thought the make-up was terribly good — the villian looked just like Lord Gowrie."

Eye-opener

Anybody still lending an ear to Capital Radio at midnight last night will have heard a minor piece of advertising history—the first commercial by an optician, seconds after such advertising became permissible.

First Sight, with a "super store" in London's Regent Street, aims to open a few eyes to the advantages of privatisation, with spectacles priced from £14.95 to £300, for the diamond-encrusted variety.

Part of the American S & L Group, which makes its money from hair and beauty salons, First Sight operates departments in stores like Harrods and Dickens & Jones, and thinks that spectacles can be sold as fashion accessories.

As Roger Haslam, managing director, sees it: "Nobody wears the same pair of shoes every day—so why the same glasses?"

One immediate problem facing the company, and its advertising agency, is how to market both spectacles and contact lenses—can you promote one product without knocking the other? No problem, however, about the advertising jingle—"I can see clearly now."

Observer

British merchant banks

Morgan Grenfell shakes up the City

By Alexander Nicoll

MR GEORGE MAGAN was sitting quietly in the audience on Friday evening as Sir Owen Green and Sir Michael Edwardes, chairmen of BTR and Dunlop respectively, dramatically announced their agreement on what had previously been a bitterly contested takeover of the British rubber products group.

Unassuming as he may have appeared, Mr Magan—a corporate finance director with Morgan Grenfell—had just helped pull off another audacious coup. And the merchant bank, which has been advising BTR, had demonstrated again that it has become a redoubtable fighter in the tough, booming business of takeovers.

The bank's corporate finance team, acting as financial adviser to some of Britain's most aggressive and acquisition-minded companies, has transformed a once staid, old-school-tie image. Its extraordinary success underlines a new competitiveness in the City which will be accentuated by the changes now under way in the structure of London's financial markets.

Cosy relationships between merchant banker and corporate client can no longer be taken for granted. Banks are increasingly on the prowl for new custom, and in turn cannot count on the allegiance of long-time clients.

Hostile takeover bids have become more common since the late 1950s, when they were regarded as ungentlemanly behaviour. In 1984, a record year for acquisitions by value, Morgan acted for the aggressor in the three largest successful contested bids—Standard Telephone and Cables for ICL, Unilever for Brooke Bond and Dixons for High Street rival Currys.

This year, as well as BTR's bid for Dunlop, it is handling supermarkets group Dee Corporation's battle, still in the early rounds, for Booker McConnell. In four of these five cases, Morgan has found itself pitted against the defence of S. G. Warburg, the merchant bank which acted for the first hostile bidder in 1958.

Despite Morgan's success and reputation, some of the fights in which it has recently featured have raised serious questions about the conduct of takeovers. Rough-and-tumble tactics are now naturally expected as a normal part of the game, but the very authority of the referee—the Panel on Takeovers and Mergers—has sometimes seemed to be thrown into question in recent months.

In a tougher game, strategies are inevitably becoming more sophisticated. But the devices conceived by Morgan and its clients have been seen in some cases as over-complicated. And the fact that Morgan Grenfell's name, rather than that of the client, hits the headlines is a further worry to some corporate customers.

"The merchant banking contestants may feel that, because they are treated like gladiators, they have to behave like gladiators," says a company chairman who has been the winner in a contested takeover.

Morgan takes a different view. Mr Graham Walsh, head of the bank's corporate finance department, says: "It's false and naive to assume that the merchant bank dominates the client, especially when our clients include some of the most determined and aggressive individuals in business."

The bank does indeed act for some dynamic and original men—such as Sir Owen Green of BTR, Alec Monk of Dee, John Ritblat of British Land, Philip Birch of Ward White, Sir Jeffrey Sterling of P & O and Sir Terence Conran of Habitat *Mothercare*.

That it should have such clients is no accident. For some five years, says Mr Walsh, "it has been our conscious policy to target the more aggressive, fast-growing companies that had decided to grow by acquisition."

For merchant banks, this was a revolutionary approach. "It used to be," says one banker, "that if you contacted a company chairman with an idea, his response would be 'Do I know you? Have we been introduced?'"

It was a departure, though by no means the first innovative move by a bank which had its origins in London with Junius Spencer Morgan — John Pierpont Morgan's father — and as well as conducting the more conventional business of funding American railroads, financed the beleaguered French Government with a £10m bond issue in 1870 when the Prussians were laying siege to Paris.

Morgan began advising British companies after the First World War, and was active in arranging new share issues after the Second. But the real push to prominence in corporate finance was begun largely at the instigation of Mr Christopher Reeves, chief executive since 1980, who also became chairman of the bank last year on the death of Mr Bill Mackworth-Young.

The early 1980s saw Morgan gradually building up its client list. As the numbers of takeovers increased — fuelled by stronger company balance sheets, fewer references to the Monopolies Commission and a bubbling stock market — its new policy paid off with a growing number of large and well-publicised takeover bids by its clients. Among turning points which helped to boost the bank's profile and bring in more business were BTR's bid for Serck in 1981 and the same company's hard-fought takeover of Thomas Tilling in 1983.

This has created a momentum which naturally attracts new clients. It has also provided experience for the corporate finance team, which has nearly doubled in size over the past five years and now numbers 110 people, including 14 directors, 16 assistant directors, 34 executives and a six-person team responsible only for dreaming-up potential deals.

Hugh Routledge

Graham Walsh—head of corporate finance.

Corporate finance requires the ability to crunch numbers at high speed, and consequently draws heavily on the accounting profession. Mr Walsh, a quietly-spoken but determined 45-year-old, did not go to university and qualified as an accountant before becoming a merchant banker. (The heads of Morgan's £9bn investment division and its innovative capital markets division followed the same route).

Because of the size and audacity of the bids they handle, and because they wage campaigns without pulling punches, some of Morgan's corporate finance directors have acquired reputations of their own. Mr Magan, 39, came to prominence in 1983 during the battle for Eagle Star when his client, the West German insurance company Allianz—unused to British takeover rules—clashed repeatedly with the Takeover Panel.

Mr Magan, another accountant turned banker, objects to portrayals of him and his colleagues as aggressive. "We are not as aggressive personally as many of our competitors. There is no point in being aggressive—it does more damage than good. We tend to be decisive. When we've determined what to do, we push on with it."

Roger Seelig, 40, who helped Dixons to a victory over Currys, clinched in a dramatic two-day High Court hearing, says however that it is sometimes necessary to be brutal with his own clients. "I really do sit people down and tell them the blunt truth."

Morgan does not set out to cultivate the fame of individual directors. Rather, it puts strong emphasis on a director and his team building up a close working relationship with the top executives of client companies.

International takeovers are now Morgan's most promising growth area. In addition to cross-border deals, it has a growing mergers and acquisitions business in the U.S. and Australia. Morgan insists, however, that it does not borrow for UK use the hardball tactics employed across the Atlantic. It does not involve itself in contested bids there, and strategies used in UK and U.S. takeovers in any case bear little relation to each other because in Britain, but not in the U.S., the last shareholder to sell must get as good a deal as the first.

Nevertheless, Morgan has been adopting increasingly intricate devices — too clever, some would say, for its clients' own good.

British Land recently failed with a technically brilliant stratagem — devised by Land's John Ritblat and Morgan's David Ewart — to acquire a large stake in Stylo, the family-controlled shoe retailer. It would probably have succeeded if, in an already complex *tender offer,* there had not been the added complication of a high minimum acceptance level which actually resulted in fewer shares being tendered rather than more.

Dee Corporation, another Morgan client, has raised eyebrows when announcing its bid for Booker McConnell, by saying that it had just sold Booker shares and might sell more. This not only attempts to set a limit on Booker's share price, but also prevents Dee from increasing its bid in the future.

Dee's originality exposed inconsistencies in the Takeover Panel's rules, and it is with the Panel that Morgan has recently been having some memorable confrontations in BTR's audacious attempt to scupper Dunlop's reconstruction proposals and take over the rubber products group itself.

BTR and Morgan have complied only reluctantly with Panel rulings, and have come perilously close to disobeying. Asked on February 1 to state their voting intentions at a Dunlop shareholders' meeting, they said: "BTR has not yet decided whether, and in what manner, to vote its preference shares."

On the same day the Panel strongly criticised Morgan's offer document for Dunlop. Referring to a comparison of Dunlop share prices, the Panel said: "Dunlop shareholders should be aware that in the Panel's view this comparison has not yet been presented in an appropriate or helpful manner."

Mr Walsh, himself a former director-general of the Panel and a fervent supporter of the self-regulation which it embodies, is reluctant to discuss Morgan's relations with the Panel, but says the helpfulness of the Dunlop comparison was "a matter of opinion."

Can Morgan maintain its position as the team in form? Although it added a large number of new clients last year, some companies feel that its team is already so stretched by frenetic takeover activity that, in the words of one chairman, "they haven't got time to look up and see what might be done."

This could make the bank vulnerable to the very competitiveness which it has helped to foster.

Corporate clients will be forced by the current "City revolution" to re-examine their relationships with banks and brokers. *Prominent* corporate finance brokers, who handle the distribution of shares issued, for example, to finance an acquisition, are being swallowed into rival banks. Rowe and Pitman, with which Morgan has worked on a number of important deals, is merging into Warburg. Morgan will hire equity salesmen in an attempt to fill the distributive role itself, but it could, in any case, pick up clients who want their financial adviser to be independent of their broker.

Morgan arranges quite a few issues by newly-listed companies—the bidders of the future. It is also well placed to handle the growing number of cross-border acquisitions, and would stand to benefit if U.S. companies, sensing that the pound's decline might be ending, were to begin a long-awaited wave of British takeovers.

Lombard

Professions must compete too

By Michael Prowse

A KEY question for the 1980s, which was not even on the agenda in the 1960s and 1970s, is how much of human activity should be subject to the discipline of market forces. Some free marketeers make much of the need to wind down the welfare state and to introduce more competition into services such as health and education. It would be helpful if they concentrated on a more obvious target: the privileges of the professions. Market economists did not shout loudly for an end to restrictive practices on the *London* Stock Exchange and it was a Labour MP who did most to break the solicitors' conveyancing monopoly.

Entry barriers

The need to expose the professions to normal competitive pressures ought to be one of the few issues on which Mrs Margaret Thatcher and Mr Neil Kinnock, the Labour leader, can agree. There is a growing international awareness, transcending party politics, that the time-honoured practices of many professions are no longer in the consumer's interest. The Organisation for Economic Co-operation and Development, for example, has recently argued the case (in its Observer magazine) for reform on several fronts.

The first priority should be to dismantle entry barriers. By controlling entry, professional bodies artificially limit their numbers and earn monopoly profits. Studies in the U.S. show that entry restrictions do lead to higher fees especially *(and unsurprisingly) where the* profession itself exerts influence over licensing procedures.

Entry control is sometimes quite subtle, resting on a licensed profession's ability to set its own examination standards. In the UK, chartered accountants' examinations, for example, have become much tougher in the past decade. It is not clear that the academic demands of the job have suddenly altered. But the very high failure rate now imposed will restrict supply and presumably sustain accountants' high remuneration. The least the Government can do is to license as many competing professional bodies as possible. In 1982, Lord Cockfield, then Trade Secretary, set a poor precedent when he refused to recognise two small accountancy bodies seeking the right to audit public companies.

It is equally important that steps are taken in OECD countries to prevent professional bodies limiting competition between their own members. This is achieved in many formal and informal ways but governments *can at least* clamp down on the most egregious deviations from competition: they can ban *minimum fee scales and stop* professions interfering with their members' wish to advertise. In the UK, some progress has been made on both fronts but the momentum must not slacken. Efforts should also be made to limit qualified practitioners' monopoly power by allowing competent para-professionals to perform routine services. It is clear, for example, in medical general practice that much of a doctor's work could be done (more cheaply) by less highly qualified staff.

Progression

The deeper question is why we need professions at all. There are law schools and medical schools but no "oil schools." Does the oil industry suffer because entry is not restricted to newly-minted "oil professionals" with fancy *letters after their names? Is it* desirable that a nurse should remain a nurse for ever, however bright, unless she can afford to take seven years off to train as a doctor? Surely career progression in medicine, as in commerce, should be through a series of small steps over a working life and not preordained by initial qualifications. It is hard not to conclude that professions are vehicles of privilege bringing undesirable *rigidities and restrictions.* Governments should seize every opportunity to knock down the barriers to competition.

Letters to the Editor

The price of petrol

From Messrs I. Thorne and P. O'Byrne

Sir,—Once again the oil companies use sterling's fall against the dollar as an excuse to raise petrol prices.

We find it impossible to believe that multinational companies do not hedge their currency. Financial futures markets offer, through traded options, a cheap and efficient way to hedge. Unlike the traditional bank hedge, you do not sacrifice profits should sterling strengthen against the dollar.

On oil itself there are futures markets in London and New York, more instruments to enable oil companies to protect the interest of their customers.

We look forward with interest *to see petrol prices* falling, when sterling improves against the dollar.

Ian Thorne.
Patrick O'Byrne.
Prescot Commodities,
15, Southampton Place, WC1

The case for Sizewell

From the Director of Strategic Studies, Central Electricity Generating Board

Sir,—Ian Hargreaves is mistaken in his article "Hard days ahead for coal" (March 4) when he says that it is clear that the CEGB's projections of electricity demand to the Sizewell inquiry err on the side of optimism.

This is not so. Indeed the Board recently told the inquiry that in fact the electricty supply industry had increased its medium term demand estimates by 1 to 2 per cent in the light of trends since the Board's original projections to the inquiry.

This increase has strengthened the Board's case for building the pressurised water reactor (PWR) at Sizewell as soon as possible because it brings nearer the day when new capacity is needed to that future demand.

F. P. Jenkin.
Walden House,
24, Cathedral Place, EC1

Cash and profit sharing

From Professor M. Weitzman

Sir,—In his letter commenting on Samuel Brittan's column "Profit sharing: the link with jobs," George Copeman (March 1) makes a valid point. Mr Copeman is concerned that an economy-wide proposal mechanically to pay employees two-thirds of added value would discriminate against the capital-intensive progressive firms and stunt their growth. He is absolutely right. But my proposal is not rigidly to prescribe two-thirds or any other magic fraction as a universal constant.

Let the invisible hand of competition and the visible hand of collective bargaining determine, in decentralised fashion, all such value-added fractions on a company by company basis. Then, in fact, we would observe pay levels settling down to market rates with the more *capital intensive* firms paying lower fractions of added value and the less capital intensive firms paying higher fractions.

The important point is that an economy of firms encouraged to pay out significant profit shares relative to base wages has strong built-in incentives to maintain full employment and high output while keeping prices low. And that situation is good for everyone—workers and capitalists alike.

(Professor) Martin Weitzman.
Massachusetts Institute of Technology, Department of Economics, Cambridge, Massachusetts, U.S.A.

Effects of imports

From Mr A. Price

Sir,—As we import more, so jobs go. Then the unemployed can only afford to buy cheap Far Eastern look-alike products and as they do, so more jobs go. It is a never ending downward spiral that can only be arrested artificially.

Birmingham and the Black *Country is now* a blackspot. South Yorkshire is an industrial desert. Many consumer products are no longer made in Britain at all, although some industries hang on by the skin of their teeth. Economists, whether of the Keynesian or monetarist persuasion seem to agree that import controls are not the answer, yet all countries of the world practise it in one form or the other. Even the U.S. does not hesitate to clamp down when sensitive industries are threatened. Yet Britain remains an importers' playground.

On a selective basis, imports must be taxed. We have to get Britain back to work across the regions, sexes and age groups. It can only be done by a return to labour intensive and perhaps craft industry. It has to be done while the skills and crafts remain. It has to be done before the employable *unemployed lose their* will to work.

A. J. M. Price,
Arthur Price and Co,
Britannia Way,
Lichfield, Staffs

Funds for investment, industrial revenue bonds and employment

From Mr D. Jones

Sir,—It is frequently contended that because there are surplus funds for investment there must be a shortage of UK investment ideas. This contention is a fallacy. The major problem is that in the UK it is very expensive to finance new ideas.

Typically an industrial project takes time to generate the cash to satisfy lenders. The lower the cash cost in early years the more easily can an industrial project win through to maturity and high cash generation.

As treasurer of a British multinational I have recently been raising finance in both the U.S. and the Netherlands. Both projects would not have been bankable in the UK. Both projects will in their respective countries be both profitable and will generate employment. The difference is that in both the Netherlands and the U.S. there is freely available low-cost long-term finance. In the UK finance has a high cost and is not readily available in the long term form.

It seems to me that considerable benefit can be derived from importing an American idea — the Industrial Revenue Bond. Such bonds can only be issued to fund capital expenditure up to $10m when it can be demonstrated that such expenditure will create employment. I have recently arranged for my company one such bond financing in North Carolina. Dollar funds have been obtained for a period of 15 years, the estimated project life. The present interest cost is 4.75 per cent which compares with dollar LIBOR at 9 per cent. U.S Prime at 10½ per cent and UK base rates at 14 per cent.

An industrial project with the benefit of such finance can easily be demonstrated to be viable. In cash-flow terms very little cash has to be generated in the early years and the project will have the chance of building to a mature business when it can more easily generate the cash both to repay its initial cost and to grow further. The interest rate is so low because while the interest cost is tax-deductible in the hands of the borrower it is tax-free for the investor. It seems to me that it is extremely difficult, given today's UK interest rates of 14 per cent plus, for British industry to compete without the support of adequate low-cost, long-term finance.

An illustration of the effectiveness of this support can be gathered by comparing a U.S. with a UK financing. A 20-year (the equipment life) £10m project in the U.S. would use an Industrial Revenue Bond. The cash cost would be about £500,000 per annum until year 20 when the capital would be repaid. The typical financing for the same project in the UK would be a five-year lease. Even assuming an interest cost of zero the cash cost would be £2m per annum. It is the cash-flow cost that kills business.

It is also interesting to look at the cost of the example to the respective revenues. (Assume before the 1984 budget as the effect of the last budget change was to increase the leasing industry's subsidy with tax relief at 45 per cent but subsequent income taxed at 40 per cent then 35 per cent). The initial cost to the UK Revenue is £5m. 100 per cent capital allowances on expenditure relieving corporation tax at 50 per cent. The initial cost to the U.S. Revenue is £600,000. Full interest cost of, say, 10 per cent in the hands of a 60 per cent taxpayer. This assumes that the investor is a taxpayer and the borrower a non-taxpayer, the typical case. If both are taxpayers the effect is, at worst, tax neutral. The interest saving to the investor becomes taxable profit to the borrower and in addition there is the revenue generated from the new employment created. It is ironic that while typically the initial cost to the UK Revenue is eight times more than the U.S. equivalent, the U.S. system is at least four times better for industry than the UK system.

I would also question the effectiveness of UK grant assistance. Assume that our UK project benefits from a 50 per cent grant and the balance of £5m is leased. The initial cost to the Exchequer is now £7.5m but the cash cost of leasing for the UK project is still double the U.S. for the first crucial five years.

A further benefit of the U.S. system is that as the bonds are sold directly to the general public monetarists are kept happy because the issue of such bonds will not inflate the banking numbers. This financing would seem to have considerable benefits for both economic growth and unemployment.

D. G. Jones.
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FINANCIAL TIMES

Monday March 11 1985

Michael Morgan on Wall Street

Pursuit of overseas bargains

THE STRONG presence rebuilt in overseas stock markets by U.S. investors during the second half of last year seems to be undergoing a squeeze, with currency conversion losses resulting from the continued strength of the dollar finally proving a disincentive.

With European and Far Eastern share prices still cheap in dollar terms, however, analysts are confident that the trend is set for another surge if the U.S. currency eases back from the present high levels.

Advances in stock prices, which have taken many of the major European and Far Eastern markets to successive record highs in the past month, have in part been attributed *to a continuing inflow of funds from American investors,* using a strong dollar to buy local shares cheaply.

Some Wall Street analysts are sceptical that much new money has been flowing out of the U.S. in recent weeks, however. They believe that the undoubtedly strong U.S. presence in foreign markets might be the result of aggressive switching of existing positions.

Many of the shares that have done best are those in companies *with already strong exports to the* U.S., which have seen their competitive positions improved by the weakness of their local currencies.

The problem facing U.S. fund managers has been that currency conversion losses have in many cases weighed against the attractions of a cheap new foreign investment. The difficulties are compounded by the short-term basis on which their own performance is judged, particularly against U.S. indices *which have also been at peak* levels.

Mr Richard Watkins of Phillips and Drew International in New York said: "In recent weeks we have seen some regular purchasers simply stop because they were not prepared to go on taking the currency losses."

"But once people believe that the rise in the dollar has peaked, it will provide a real trigger for a lot more activity."

Mr Ullrich Moser of the West German-owned ABD International, which manages $500m of investments mostly for U.S. pension funds, already sees signs of a pick-up in activity with some movement away from the large dollar-earning foreign stocks since the end of February.

He expects total U.S. portfolio investment overseas in the coming year of about $6bn, strongly biased towards equities.

Latest figures from the U.S. Treasury on American investors' activity in foreign stocks cover only the first three quarters of last year. They demonstrated a marked change in outlook as the year progressed, with net sales of $360m in the first half being replaced by net purchases, totalling $729m in the third quarter alone.

These figures may understate the case. The Securities Industry Association in New York said that while the Treasury figures were indicative of the trend, it did not necessarily believe they reflected the full magnitude of the investments.

Net purchases in all the major European centres picked up to $37m in the third quarter from $101m in the previous three months. Net purchases totalling $82m in the Netherlands and $46m in Switzerland in the third quarter reversed net sales seen in both countries in the previous period.

Purchases of French stocks rose 42 per cent to $34m and net buying of UK stocks was up 10 per cent to $99m.

In Tokyo a net U.S. sell-off of $423m worth of stocks in the first half of last year dwindled to net *sales of $50m by the third quarter.* The agreement reached between London and Peking on the future of Hong Kong beyond 1997 provided the spur for net purchases in that market of $234m.

The increasingly international outlook of U.S. investors is demonstrated by a survey carried out by Grenwich Research Associates, an independent research body. Of 1,000 pension funds it looked at 65 per cent of those with assets of more than $1bn carried foreign investment on their portfolios by last year, compared with 26 per cent in 1979.

Of the smaller funds managing assets of between $500m and $1bn, 41 per cent held foreign investments by 1984, compared with 33 per cent a year earlier and 24 per cent in 1979.

Mutual funds have also been making a foray into foreign share ownership. Fidelity, the largest privately owned mutual fund company *in the U.S. with $25bn under management,* recently introduced its first retail fund based on overseas stocks.

The fund, launched about three months ago, has attracted $5m from investors with the value of its holdings rising *10 per cent.*

Union Carbide in talks over Bhopal settlement

BY JOHN ELLIOTT IN NEW DELHI

TOP LEVEL talks have taken place between Union Carbide and the Indian Government in New Delhi to see whether the U.S. company would agree to submit to jurisdiction in India and reach an out-of-court settlement for victims of the Bhopal gas disaster in which more than 2,500 people died three months ago.

As a precautionary measure the Indian Government is finalising plans to file a lawsuit in the U.S. against Union Carbide on behalf of all the victims.

Mr Ashok Sen, India's Minister for Law and Justice, said last night: "We have to file in the courts in case the talks with Union Carbide break down.

"We have a negotiating team of government secretaries (top level civil servants) who have met Union Carbide several times and we will always look forward to a good settlement out of court if that can be *found.* The Indian Government is prepared to forgo litigation on the right terms.

"If the American company would submit to the jurisdiction of our courts here we might not have to go to the U.S."

The problem appears to be that while Union Carbide in the U.S. is also keen to reach an out-of-court settlement it is not prepared to agree that it, rather than its Indian subsidiary, is responsible for the disaster – 100 days ago tomorrow – in which more than 180,000 people were injured or suffered illness. It is not, therefore, prepared to submit to Indian jurisdiction.

Although compensation awarded by courts in the U.S. would almost certainly be much higher than in India, Mr Sen indicated that the major issue was the U.S. company accepting this jurisdiction, not the level of compensation.

Indian authorities would probably be satisfied if the victims were given compensation broadly in line with existing standards in the country.

An award much higher than this for the Bhopal victims could upset standards in airlines and other services.

Top-level Union Carbide executives, led by a senior vice-president, visited India the last few weeks for the negotiations but do not appear to have made sufficient progress to satisfy the Indian Government, *which last week was finalising* plans to file a suit in New York tomorrow. This pre-trial hearing of a series of suits filed by individual U.S. lawyers on behalf of the victims has now been postponed until April 16.

The Indian Government issued an ordinance two weeks ago giving it the right to take over all litigation started by the victims and their relatives, and to file compensation claims.

The U.S. lawyers who flocked to Bhopal immediately after the disaster and signed up thousands of clients are unwilling to give up the claims, which total about $2bn.

Cautious UK budget expected despite scope for tax cuts

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

MR Nigel Lawson, the UK Chancellor of the Exchequer has scope for tax cuts of between £1½bn and £2bn ($1.6bn and $2.08bn) in his budget next week, the City of London believes.

But a strong consensus has emerged that he will need to be very cautious about how much of this he decides to "give away."

This is because the spending side of his budget arithmetic has come under strong pressure since his Autumn Statement in November, with increases in debt interest and social security payments and higher costs for imported goods, particularly in the defence field.

These rises, which probably add about £750m to expected spending in 1985–86, have been more than offset by the effect of sterling's depreciation against the dollar, which has increased the estimate of North Sea oil revenues. This could add more than £1bn to his total tax take.

The amount available to Mr Lawson depends crucially on how long he believes the dollar will remain at its present high level. Since he has said that the dollar is "overvalued," it will be difficult for him to make tax cuts on the basis of its recent record levels, especially at a time when he needs to restore City of London confidence.

For these reasons, almost all analysts expect him to present his budget on very cautious assumptions, and perhaps to give himself a margin for error by slicing back his estimate of public borrowing to a little below the £7bn assumed in his strategy.

However, the City still expects some overshoot of borrowing in 1985-86, according to an FT survey of 19 independent forecasts published today. This shows that the City consensus is that borrowing will slightly exceed the £7bn assumed in the Autumn Statement in spite of the £3bn reserve for contingencies.

Nevertheless, there is a very wide range in the estimates of how much the Chancellor of the Exchequer *has to give away. The National In*stitute of Economic and Social Research, at one extreme, believes he would need to increase taxes by some £2½bn to hit a borrowing target of £7bn. At the other extreme, the broker James Capel says he could have £2bn to £2½bn available to "give away."

In the middle of the range, the London Business School and the broker Phillips and Drew put the "give-away" at £1bn to £1½bn.

Most leading City analysts mention the need for a cautious budget to restore a general confidence that financial targets will be met and that the rate of inflation will continue to fall.

There is general agreement, however, that inflation will be well under 6 per cent by the end of this year, in spite of the depreciation of sterling in recent months. The FT average of 19 forecasts points to an annual rate of 5½ per cent, falling to 5 per cent by the end of next year.

Even though the Treasury has been more optimistic about inflation than outside forecasters, the fall of sterling and the rise in interest rate to 14 per cent will force it to raise its inflation projection to between 5 and 5½ per cent for the fourth quarter of this year.

The rise in interest rates will probably also oblige the Treasury to reduce its growth forecast for 1985 from the 3½ per cent predicted in its Autumn Statement. Even though exports have been doing better than expected, the Treasury forecast is likely to move closer to the 3 per cent FT average forecast. Of this, about 1 percentage point of growth represents the recovery from the miners' strike.

Details, Page 6

Apple hit by severe downturn

Continued from Page 1

(machines that sell for $500–$1000) is however a bigger threat to Apple. The eight-year-old Apple II, which sells to consumers, schools and very small businesses, is still Apple's major revenue generator. Apple lost significant Apple II sales to IBM's PC Jr home computer over the Christmas selling period, according to Future Computing.

Apple executives complained last year that IBM was selling the PC Jr below cost. Although IBM denied *their charge, the company recently* raised the PC Jr price by $300 to about $1,200.

Critics accuse Apple of ignoring its "cash cow" in favour of the more glamorous Macintosh. The public focus on Macintosh, with little attention for the Apple II, has led to dissention within the company and to the resignations of some executives recently.

Apple's youthful confidence – the company's chairman, Mr Steve Jobs, recently turned 30 – and the consumer confidence that Apple's image engenders have been severely shaken by the announced temporary plant closures.

BAe optimistic on deal with China

BY CHRISTIAN TYLER, WORLD TRADE EDITOR, IN HONG KONG

BRITAIN'S HOPES of selling civilian aircraft to China have been re*kindled by a 10-day sales mission to* the country.

The high-powered delegation of industrialists, including British Aerospace, arrived in Hong Kong without the prize it really hoped to secure – an outline order for 10 BAe 146 passenger airliners.

In spite of its failure to set up a deal that could be worth around $150m, BAe is now optimistic that it will be able to agree a price with the Chinese soon.

The company was told by political leaders, including Vice-Premier Li Peng, as well as the state airline's senior managers that the 146 was too expensive, even after further price concessions made last week.

Yet it seems that the Chinese showed no great preference for larger and possibly cheaper Boeing or McDonnell Douglas aircraft. BAe claims there is no direct competitor yet for its short take-off 80 to 100-seat jet.

The Chinese seemed keen to purchase an initial 10 aircraft with 1,000 kilometre optimal range for internal routes and small airfields, especially in the undeveloped western regions. Last year, BAe demonstrated the 146 on a tour of 13 cities *including Lhasa in Tibet.*

The group also discussed what the Chinese are calling "defence projects." it offered Harrier jump jets, Hawk jet trainers, and its range of air and ground missiles. Clearance would be required from the U.S.-dominated vetting committee in Paris, CoCom, which licenses the sale of potentially strategic equipment to the Socialist countries.

Lord Young, Minister without portfolio and head of the UK mission, would not disclose whether he had any proposals from the Chinese to put to Mrs Margaret Thatcher, the British Prime Minister, on his return to London this week.

Mr John Glasscock, BAe board member for civil aviation, said that negotiations on the 146 would be resumed "within a matter of weeks."

"Interest which I know existed has been reconfirmed both at a high political level and within the Chinese national airline," he added. Apart from price, the aircraft appeared to have been widely accepted as meeting the airline's requirements, he said.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	13	55	Dubrovnik	R	9	48	Malaga	S	17	63	Salzburg	Sn	1	34
Akrotiri	S	19	66	Faro	S	20	68	Malta	F	17	63	Seoul	C	4	39
Algiers	R	11	52	Florence	S	11	52	Manila	S	35	95	Singapore	F	32	90
Amsterdam	F	9	48	Frankfurt	S	6	43	Miami	C	25	77	Stockholm	C	-3	27
Athens	F	10	50	Funchal	F	17	63	Milan	F	9	48	Strasbourg	S	8	46
Bahrain	S	18	64	Geneva	S	6	43	Moscow	C	-6	21	Sydney	F	25	77
Bangkok	S	35	95	Gibraltar	F	15	59	Munich	Sn	-1	30	Taipei	C	23	73
Barcelona	—	—	—	Guernsey	Fg	7	45	Nairobi	—	—	—	Tangier	S	18	64
Beirut	S	19	66	Helsinki	Sn	-3	27	Naples	F	14	57	Tehran	—	—	—
Belgrade	C	2	36	H. Kong	F	18	64	New Delhi	S	32	90	Tel Aviv	S	25	77
Berlin	C	1	34	Innsbruck	F	7	45	New York	F	12	54	Tenerife	F	18	64
Biarritz	S	10	50	Inverness	F	7	45	Nice	S	15	59	Tokyo	C	11	52
Blackpool	R	6	43	Istanbul	F	8	46	Oporto	S	19	66	Toronto	C	4	39
Bordeaux	S	12	54	Jersey	C	8	46	Oslo	Sl	1	34	Tunis	F	16	61
Brussels	F	9	48	Jo'burg	C	21	70	Paris	S	9	48	Valencia	F	14	57
Budapest	C	2	36	Las Palmas	F	20	68	Prague	F	0	32	Venice	S	9	48
B. Aires	R	22	72	Lima	F	26	79	Reykjavik	R	2	36	Vienna	C	1	34
Cairo	C	24	75	Lisbon	S	16	61	Rio de J'o	C	35	95	Warsaw	C	-1	30
Cape Town	—	—	—	Locarno	F	10	50	Rome	F	15	59	Zurich	S	5	41
Caracas	C	27	81	London	F	12	54								
Casablanca	S	18	64	Los Angeles	R	23	73								
Copenhagen	[illegible]	-1	30	Luxembourg	S	6	43								
Corfu	R	13	55	Madrid	S	13	55								
Dublin	S	9	48	Majorca	F	14	57								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Pipeline

Continued from Page 1

to $200m investment partially financed by the World Bank to enable the oil companies to increase total production from the fields to around 50,000 b/d from about 12,000 b/d, now.

Production is being held down in these fields by transport difficulties. The crude has to travel by truck to the refinery in a five-day round trip over the Andes.

Colombia has already selected Techint, an Italian-Argentine concern, and Protexa, a Mexican company, *for two lower segments of the* pipeline.

Al-Fayeds pledge dedication to Harrods group

By John Moore, City Correspondent, in London

A REFERENCE to Britain's Monopolies and Mergers Commission would not deter the Al-Fayed family from pursuing its £615m ($659.4m) bid for the House of Fraser chain of 102 department stores, including Harrods of Knightsbridge, Mr Mohamed Al-Fayed said at the weekend.

He said: "We are here for ever. It is a matter of dignity."

By the middle of this week Mr Norman Tebbit, Trade and Industry Secretary, will decide whether the bid by the Al-Fayed family of Egypt should be referred to the *Commission.*

Mr Tiny Rowland, chief executive of Lonrho, the Al-Fayeds' rival in the battle for control of Fraser, wants the bid to be referred, largely to gain time to mount his own campaign for Fraser. He has fought for control of the group for nearly eight years and is not going to give up easily. Last week a flood of claims poured out of Lonrho's London headquarters about the Al-Fayeds' wealth.

Had the Al-Fayeds enough money to make a bid without help from others? Was the Sultan of Brunei, one of the world's richest men, behind the Al-Fayeds? What was the true wealth of the Al-Fayed family and what was the nature of their business? Lonrho was lobbying the Department of Trade and Industry and the Office of Fair Trading in a effort to persuade them that they ought to find out.

Bankers Kleinwort Benson, who are acting for the Al-Fayeds and have established that the family has the cash, were last week adamant on the point. "There is no hidden hand behind them." On Friday Mr Ali Al-Fayed was equally firm. "We are not hiding behind any Liechtenstein trust."

The Al-Fayeds have been described by their bankers as "collectors of centres of excellence." Last November they took the first step in adding to the collection by buying the 29.9 per cent strategic shareholding in Fraser from Lonrho for £138m. Their other principal centre of excellence is the Ritz Hotel in Paris which they paid $30m in early 1978.

Other centres extend to properties with eye catching addresses such as the Park Lane apartment block, where where they live in London and which they own, as well as 75 Rockefeller Plaza in *New York, and 154 Champs Elysées.*

They bought a rundown castle in Scotland, Balnagown in Ross-shire, together with the estate. This has now been renovated and the estate is run as a working farm.

Their banking interests are quite modest. Although they are described as major shareholders in National Bancshares Corporation of Texas, their stake is under 5 *per cent and the bank itself is* capitalised at $160m. Mr Ali Al-Fayed is an adviser to the bank and also an advisory director of the Peoples Bank in Houston.

The Al-Fayeds' plans for House of Fraser are vague. "We trust the management and we hope we can give them more help," said Mohamed.

The brothers want to market the name of Harrods worldwide, appending the name to champagne, ice cream, crystal and other products to help develop the business. "We have done this for the Ritz," said Mohamed.

Ali said "We have been asked what qualifications we have for running Harrods and House of Fraser. So far we have £138m worth of qualifications."

● The Al-Fayed brothers have a net worth of several billion dollars, according to Mr John McArthur, a Kleinwort Benson director. He said on British television last night that money had already been made available to Kleinwort Benson by way of a Swiss bank in order to implement the Fraser offer.

French Right election gains

Continued from Page 1

the European elections in June that reflects the recent climb in the public opinion polls of both President François Mitterrand and M Laurent Fabius, his Prime Minister.

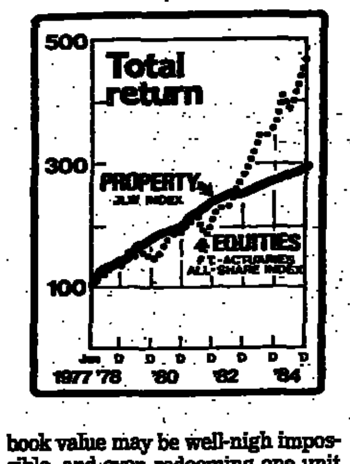
Yesterday's vote and the run-off next Sunday mark the last electoral milestone before the parliamentary elections in March next year, which will determine the future of M Mitterrand's presidency.

The President has announced that he will inject a dose of proportional representation into the parliamentary elections and he was *waiting for yesterday's results* to see how far to go.

THE LEX COLUMN

Refurbishing the property sector

Time was, no self-respecting portfolio manager of an insurance company or pension fund would have had less than a quarter of his money in bricks and mortar. Yet institutional investment in property is now at its lowest since figures were first compiled. In 1983, 9.4 per cent of funds' cash flow went into property – well under half that of 1974 – and nine-months' figures for 1984 show an average of just 8.8 per cent. Most analysts believe that institutional involvement will never again reach the credulous heights of the early 1970s.



In a vicious spiral, property's dull performance has increasingly repelled investors, causing the sector to fall still further behind alternative assets. *As the chart shows,* total returns from property have lagged the FTA All-Share index by a long way, especially in the last three years, and have even been beaten by long-dated gilts. Property shares over the last year have climbed by only half the market average.

In the 1960s and 1970s, the coincidence of all the institutions piling into the market at once to reach their target investment in property *was enough in itself to guarantee* good returns. Real estate was then thought to be the best hedge against inflation. When the crunch came, in the secondary banking crisis, property could not even preserve nominal values – just when inflation was reaching its most virulent phase. The introduction of index-linked gilts in a period of falling inflation then provided a standard investment which had, by definition, just the qualities of stabili*ty which property had failed to de*liver.

Even though economic activity has picked up since 1981, employment has not, so demand for both industrial and office space – particularly outside the prosperous South East – is still very patchy. Rental growth has been non-existent or, at best, in low single figures. Not only does supply still exceed demand in many areas, but where demand is strong, extra supply *has been immediately forthcom*ing with the connivance of rate-hungry local authorities.

In relative terms, property has had an impossible time trying to keep up with equities and can only just match the return on gilts. Yet in theory, its illiquidity should cause it to yield more.

Liquidity has become a preoccupation among fund managers. Selling an undesirable office block at book value may be well-nigh impossible, and even redeeming one unit of a property trust can take months. Though insurance companies profess to take a longer-term view, pension funds' performance is often judged quarterly. *This* has steepened the slope between prime and well-located properties, and run-of-the-mill industrial sites; the flight into quality has led to a polarisation of yields, and the preference for liquid investments has intensified it.

Since investors have abandoned the fantasy of property prices on a permanent escalator, they have had to concede that oversupply is as powerful a factor as with any other commodity. In what is now a tenant's market, the way to make money is to exploit underappreciated segments. Right now, these pockets of demand are primarily in modern city offices, out-of-town retail sites, some high-tech industrial properties (preferably in south-east Eng*land and near a motorway)* and retail shops. The industry has learned some lessons from the America of 10 years ago.

The problem for stock market investors is that many property companies' portfolios are not exactly overweight in fashionable niches; instead they are groaning with 1960s and 1970s office blocks which are hard to rent. Their ratings reflect this: United Real Properties stands at a discount of over 35 per cent, while Wates City of London Properties, which owns 10 prestige City of London offices, trades at almost exactly its published net asset value.

The demand for Wates shows that companies with the right properties in the right place at the right time can still attract investors. As corporation tax declines, shares in property companies – which have always been high taxpayers – should become more attractive to gross funds or partly-sheltered insurance companies, who have preferred to invest directly in real estate rather than see 40 or 50 per cent of their income *go first to the* Inland Revenue.

Floating properties off trading companies, as suggested by Grieveson Grant, might just be the best way of enticing institutions back to the sector. If the budget contains a reform of capital gains tax – conceivably a reduction to a rate of 15 per cent in compensation for the end of bond-washing – the property market could gain a new lease of liquidity.

Dee/Booker

The Dee Corporation offer document is in some respects no more than a codicil to the letter which the group sent its own shareholders *late last month.*

The 1984–5 profit forecast is republished, complete with reconciling accounting policies. On this occasion the material fact that Dee has merger accounted the International Stores acquisition is relegated to page 28 of the listing particulars.

What is more, Dee states that the interim figures take no account of the IS purchase – which is true – without mentioning that in the full-year forecast they appear for both the first and second half years.

At least Dee has set out at some length its reasons for wanting to acquire Booker McConnell. The financial points are mostly provisional, since Booker has yet to disclose *its full-year profits and its final divi*dend, which can be expected to reverse the income advantage on the Ordinary offer which Dee is legitimately enough claiming.

Dee stands on firmer ground when *it makes comparisons* between the track records of the two companies and emphasises the incremental profits which would be generated by combining the food distribution businesses.

There is little doubt that Booker is a better-managed company thanks to the persistent attention of Dee Corporation and for that much Booker's own shareholders should be grateful. While Dee might have added a little yarn to its initial threadbare offer, however, it has provided no convincing argument for acceptance at this price.

For the moment, at least, shareholders should sit tight.

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Monday March 11 1985

Demand for Ecu lending boosted by strong dollar

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

LENDING in Ecus, the currency basket of the EEC, has become the latest fashion in the Eurocredit market with at least three new deals surfacing over the past week or so.

Bankers say the strength of the dollar in exchange markets has created fresh demand from European borrowers for Ecu loans because it is a way in which they can limit their exchange risk. Banks are increasingly willing to meet this demand even though their inflow of new Ecu deposits has not kept pace with the growth in loan volume.

One reason for this is that non-U.S. banks, too, suffer when the dollar rises. With capital denominated in a European currency and assets in dollars their gearing ratios suffer each time the dollar rises. Total assets expand without any extra business being put on the books, but capital does not rise to match.

Some bankers also argue that Ecu lending creates an extra profit opportunity for banks with access to cheap customer deposits in one or more of the component currencies. This allows them to make up the basket at an overall rate below that quoted in the interbank market on which Ecu loan interest is calculated.

Others say simply that the Ecu deposit market has recently been expanding rapidly, provoking new interest in Ecu business from banks of all nationalities, particularly the Japanese. This is hard to prove, however, and a more mundane reason for the upsurge in Ecu business might be simply that those borrowers who are now tapping the Eurocredit market mostly happened to be Italian.

Among the new Ecu deals are:

- An Ecu 200m, eight-year credit for Enichimica of Italy with a margin of ¼ per cent for the first two years rising to ⅜ per cent thereafter. This is led by Bank of Tokyo, Citicorp, Istituto Bancario San Paolo di Torino and Orion Royal;
- An Ecu 100m, 10-year credit for Nersa, the European nuclear power agency, led by Banca Nazionale del Lavoro, Chemical Bank, Fuji Bank and Sumitomo Bank. The margin starts at ¼ per cent and rises after four years to ⅜ per cent;
- An Ecu 200m, 12-year deal for Italy's Autostrade led by Chase Manhattan and Istituto San Paolo. Terms on this deal are not being disclosed for the present as Enichimica's credit is still in the market.

Elsewhere, Citicorp's announcement that it is to lead a £100m five-year credit for the Halifax Building Society met an immediate positive response in the market. Though neither Citicorp nor the Halifax would officially disclose the terms, other bankers say the margin is just ⅛ over sterling deposit rates with front-end fees of up to 13 basis points for lead managers willing to commit £10m.

One factor adding to the attraction of this deal is its rarity value. Building societies hardly ever tap the syndicated bank loan market and this is the largest deal ever. It may also be one of the last since the forthcoming UK budget is expected to include provisions allowing building societies to pay interest gross to investors in the Eurobond market, opening up a new and even cheaper source of funds.

This week should see progress on Greece's planned $400m credit with potential lead managers being invited to Athens to discuss details with the borrower. Greece has decided not to follow the Euronote route chosen by Portugal and opted instead for a conventional credit on which it is indicating margins of ½ per cent for the first four years rising to ⅝ per cent for the next four.

Despite the current liquidity in the market some bankers feel these terms are a little tight, not least because of Greece's rising foreign debt. Last week the Bank of Greece refuted OECD calculations that the country's foreign debt stood at $18.87bn, claiming the actual total at the end of last year was only $10.56bn. Greece's deal could, therefore, prove a test of how selective a liquid market still wants to be.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
U.S.$	2,692.9	129.6	1,550.9	203.0
Prev	2,740.9	123.3	258.3	724.5
Other	361.3	–	103.8	44.0
Prev	364.9	–	–	36.6
Secondary Market				
U.S.$	17,998.5	904.8	17,830.0	1,396.1
Prev	12,079.1	630.9	9,741.1	1,787.4
Other	2,345.9	84.0	307.7	1,284.4
Prev	2,141.8	18.5	259.7	999.9

	Cedel	Euroclear	Total
U.S.$	12,995.1	29,120.8	42,115.9
Prev	10,832.9	17,252.7	28,085.6
Other	2,348.5	2,182.7	4,531.2
Prev	2,312.8	1,488.5	3,804.3

Week to March 7, 1985 *Source: AIBD*

INTERNATIONAL BONDS

A week dealers would rather forget

BY MAGGIE URRY IN LONDON

TO SAY that Eurodollar bond prices were little changed last week is to deny the pain the market suffered along the way. There were few moments of brightness among the gloom, but Friday's strong rally in the New York bond market, with short-covering in the Euromarket, finished the week on a strong note.

Wednesday morning had been another cheerful patch, holding an issue window open long enough for Canada to leap through with a $500m deal. This "honey of a deal" sold rapidly that day. By Thursday it was suffering with the rest of the market, but it picked up on Friday to be bid inside its ⅞ per cent fees.

Friday was a good day for Crédit Commercial de France to launch a $250m "mis-match" floater. With the yield curve even steeper – the pick-up between one-month and six-month London interbank offered rate (Libor) was 1⅝ percentage points – CCF will pay interest at the six-month bid rate (Libid) with a refix monthly. The result is cheap funds for CCF, adding in gross commissions of 43 basis points, and a better yield for investors than recent French floating paper. This one traded well inside the 20 basis point selling concession.

Cadbury Schweppes convertible issue, which closed on Friday around 99½, was also a contender for deal of the week.

But elsewhere nervousness about the dollar, fears of a tightening in U.S. monetary policy and in Europe the overhang of new paper which is looking more mis-priced by the day gave bond traders, accustomed over the last few months to falling yields, a week they would rather forget.

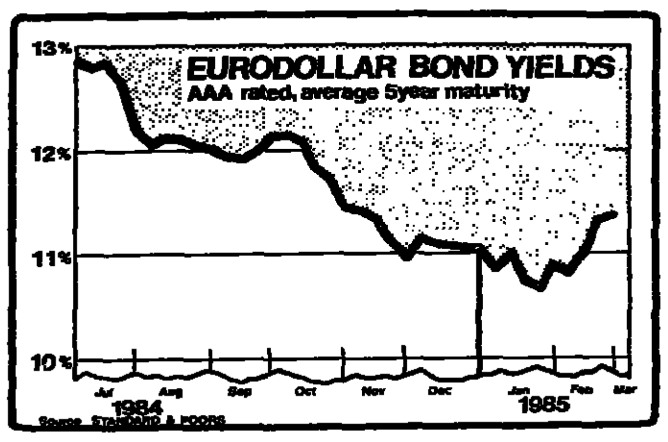
Action is expected soon in the Euroyen convertible market. Around 100 Japanese companies have had permission to make such issues since April 1 last year. But a 20 per cent withholding tax has deterred borrowers. This is expected to be lifted by April 1 this year, and already issues are lining up to be launched prior to that date, though with a payment date after.

So far five issues have been rumoured – for Sony, Bridgestone, Fanuc, Nisshin Spinning and Sekisui House – raising a total of Y100bn. Bankers fear that the rush of deals, and consequent oversupply of unsaleable paper, that followed the opening of the Euroyen straight bond market to U.S. corporates, could be repeated with convertibles.

One glimmer of hope is that companies will prefer to tap the domestic market, and securities houses there are offering lower coupons to top-rated borrowers who make their issues at home.

Philip Morris, the tobacco group, proved that well-known U.S. corporate names can do better than sovereign and supranationals in the Eurosterling market. Its deal came on slightly tighter terms than Sweden's the previous week, but like GMAC's and Amex's was holding up well.

The continental European bond markets have not been immune from the gloom in Eurodollar bonds. Although a weakening dollar might be good news for non-dollar bonds, encouraging investors to switch into them, the outlook for interest rates is unsettling the markets.



Swiss franc bonds fell by up to 1¼ points over the week with some issues falling as much as ¾ point on Friday – a dramatic move in a market where a ¼ point change is considered daring.

The primary market has stayed in business thanks to a smart readjustment of coupon levels. Friday saw the launch of a SwFr 150m deal for the EIB with a minimum 6 per cent yield.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Kajima Corp. §‡	40	2000	15	3⅞	100	Morgan Stanley	3.875
Citizen Watch §	50	2000	15	(3)	100	Nikko Secs (Europe)	*
Newmont Mining §‡	50	2010	19½	8½	100	CSFB	8.500
Bank Arbeit & W (a)†‡	100	2000	15	1/16	100	Kidder Peabody	–
Sumitomo Metal ‡	100	1992	7	10⅞	101	Daiwa Europe	10.665
Canada ‡	500	1990	5	11½	100	Deutsche Bank	11.500
LTCB Fin. ‡	75	1990	5	12	100	LTCB Int.	12.000
Cadbury Schweppes §	80	2000	15	(8)	100	Kleinwort Benson	*
CCF †‡	250	1997	12	⌽	100	CCF	–
D-MARKS							
Zenchiku Co. ¶‡	35	1990	5	3⅞	100	Bayerische Vereinsbk	3.875
Tsubakimoto Prec. §‡	60	1990	5	3⅛	100	Commerzbank	3.125
Toei Co. ¶‡	50	1990	5	3⅞	100	BHF-Bank	3.875
Toyobo Co. ¶‡	60	1990	5	3¾	100	Deutsche Bank	3.750
IADB ‡	250	1993	8	8	100	Deutsche Bank	8.000
Daishinpan ¶	60	1990	5	(3⅞)	100	Deutsche Bank	*
SWISS FRANCS							
Tsubakimoto Prec. **§‡	50	1990	–	1¾	100	UBS	1.750
Nissin Electric **§‡	50	1990	–	1¾	100	Credit Suisse	1.750
World Bank ‡	200	1995	–	6	100	UBS	6.000
Toyo Comm. Equip. **§‡	50	1990	–	1¾	100	Banca della Sviz. Ital.	1.750
Kurabo Ind. **§‡	70	1990	–	1¾	100	Credit Suisse	1.750
Iseki Co. **§‡	50	1990	–	1⅞	100	UBS	1.875
Imatran Voima Oy ‡	80	1995	–	6	100	Credit Suisse	6.000
Juken Sangyo **§	25	1990	–	(2)	*	Banca della Sviz. Ital.	*
Fuji Co. **‡	10	1990	–	6	100	Banca del Gottardo	6.000
Nippon Hardboard **‡	10	1990	–	6	99½	Banca del Gottardo	6.119
Chrysler Fin. Corp. **‡	50	1993	–	6⅜	100	SBC	6.375
Copenhagen Handelsbk **‡	80	1992	–	6⅜	100	UBS	6.375
Hazan Corp. **§	30	1990	–	(1⅞)	*	SBC	*
Sumitomo Heavy Ind.	100	1995	–	(6)	*	SBC	*
Stanley Electric **§	70	1990	–	(1⅞)	*	UBS	*
EIB	150	1995	–	(6 min.)	*	Kredietbank, Gutzwiller, Soditic	*
STERLING							
Philip Morris ‡	75	1995	10	11⅛	100	Lloyds Bank Int.	11.125
ECUs							
IADB ‡	100	1993	8	10	100	Soc. Gen. de Banque	10.000
LUXEMBOURG FRANCS							
Aktiebolaget SKF **‡	250	1990	5	10	100¼	Bqe Gen. du Luxemb.	9.934

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. (a) 1/16 over 6m Libor. ⌽ At 6m Libid, refixed monthly, payable six-monthly. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

U.S. MONEY AND CREDIT

Rally ends a month of retrenchment

BOND PRICES rallied strongly on Friday in response to a growing market conviction that the Federal Reserve Board's monetary policy may have entered a stable holding pattern — at least for the time being — and that economic expansion in the first quarter may not have been as strong as was feared.

After another week of highly volatile trading, short-term rates were little changed and the Treasury long bond, having gained over 1½ points during the final session, ended three-quarters of a point higher.

Ahead of the Friday rally trading was again characterised by nervous price swings as the markets followed the fortunes of the dollar. Prices plunged on Wednesday — along with the U.S. currency — after Mr Paul Volcker, the Fed's chairman, again warned Congressmen that when the dollar declines it would do so "very rapidly."

Concern eased on Thursday, however, as the dollar bounced back. Friday's rally was generally attributed to short-covering by traders rather than to any real re-emergence of retail buying interest. Nevertheless it ended a month of retrenchment which had knocked more than five full points off the long bond price and sent money market rates and bond yields soaring.

Two principal factors underpinned the sharp inmprovement in market sentiment on Friday.

First, while the latest $3.6bn surge in M1 leaves the basic money measure about $3bn above the upper end of the Fed's 4-7 per cent "parallel band" target range, it is expected to begin a seasonally-induced decline in the next couple of weeks.

But more importantly, the markets focused on a sharp decline in discount window borrowings in the latest statement week which fell to $419m from $678m in the previous period. As a result many market economists revised their earlier view that the Fed had already begun a "tugging at the monetary reigns" suggesting instead that, as Dr Henry Kaufman of Salomon Brothers, puts it, "monetary policy is now in a holding patern."

Second, the markets looked past the 0.1 per cent decline in February civilian unemployment and saw that the latest employment figures, released on Friday morning, showed only modest gains in overall employment and a sharp 0.6 hour decline in the factory working week. Indeed employment in the manufacturing sector actually fell last month—probably reflecting the negative impact of the dollar's strength on the domestic economy.

As a result, most economists began down-rating their estimates of February industrial production and first-quarter GNP growth (the flash GNP figure is due on March 21). Although the weak employment gains could be due to special factors like the particularly adverse weather throughout February in much of the country, many economists now expect the industrial production figures, due on Friday, to show a decline.

Whether these market "positives" are sufficient to sustain the rally this week is a matter of great conjecture. Nevertheless for the first time in weeks there are some bullish voices.

Mr Philip Braverman of Briggs Schaedle, for example, notes, "The credit markets appear to be at the beginning of a major change in psychology that should lead to a sizeable further price improvement throughout the maturity spectrum."

Others, like Mr Frank Mastrapasqua of Smith Barney, point to re-emerging evidence of strains within the U.S. financial system—particularly the failure of ESM Government Securities last week, the problems of a growing number of savings institutions, the expanded number of banks on the comptroller "danger list," and the moves by the Fed last week to throw open the discount window to hard-pressed agricultural banks—as reasons for the Fed to delay any early firming move.

Mr Mastrapasqua says, "These banking difficulties combined with the strong dollar may well argue that the monetary authorities are likely to maintain an accommodative credit posture longer than would otherwise be the case."

However most market analysts still think the Fed's next move will be to tighten. What has changed is their perception of the timing of such a move.

Paul Taylor

U.S. MONEY MARKET RATES (%)

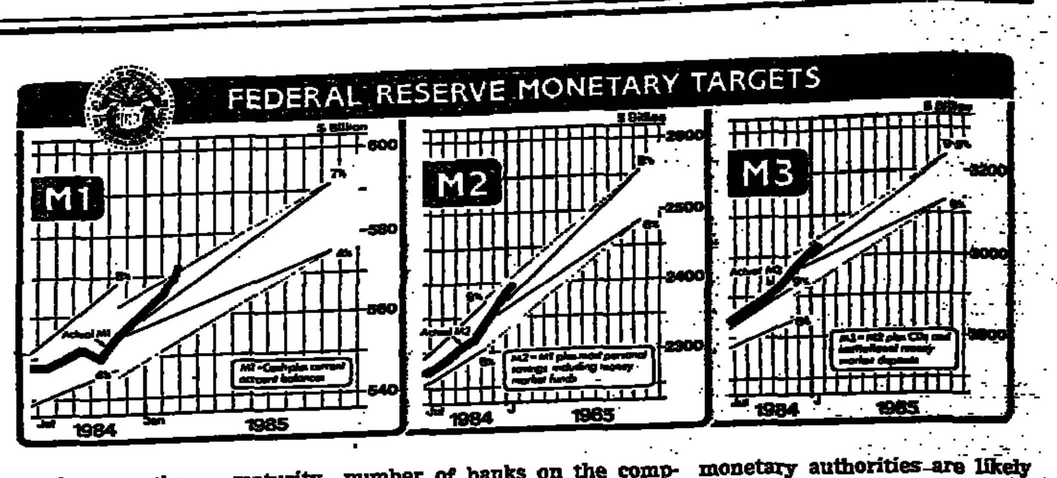
	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	8.47	8.42	8.42	11.77	7.82
Three-month Treasury bills	8.56	8.65	8.22	10.77	7.58
Six-month Treasury bills	8.85	8.82	8.30	10.83	7.87
Three-month prime CDs	9.10	9.05	8.60	11.90	8.05
30-day Commercial Paper	8.80	8.65	8.45	11.38	7.85
90-day Commercial Paper	9.05	8.90	8.60	11.40	7.90

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	98¾	+ ¼	11.70	11.81	11.30
20-year Treasury	97⅛	+ ⅝	11.96	12.03	11.54
30-year Treasury	96⅝	+ ¾	11.71	11.80	(new)
New 10-year "A" Financial	N/A	+ ⅝	12.30	12.40	12.00
New "AA" Long utility	N/A	+ 1	12.88	13.01	12.50
New "AA" Long industrial	N/A	+ 1	12.63	12.75	12.25

Source: Salomon Bros (estimates).

Money Supply: In the week ended February 25 M1 rose by $3.6bn to $572.7bn.



UK GILTS

Why Lawson should do a Howe

THE FOCUS of the gilt-edged market's attention is now firmly on the Budget. Will Mr Nigel Lawson's measures shake the market out of its current torpor?

Since the beginning of the year, long gilts have moved within a trading range of four points, with ups and downs largely mirroring the state of sterling. Although there has been no discernible trend in prices, the market has a firm undertone ,reflecting both the weight of institutional cash, and the belief that base rates are set to come down. If sterling holds up, the market is in the mood to go better, provided that Mr Lawson strikes the right note on his macro measures, and eschews unsettling changes in the taxation of gilts, or of institutions investing in them.

The anti-bond-washing move two weeks ag oquickly aroused the suspicion that the Chancellor was planning a major change in capital gains tax, perhaps even its abolition. While broadly accepting the immediate denials from official sources, the market remains uneasy that the Chancellor may have something up his sleeve, without quite knowing what. Some institutional investors liable to tax (net funds) have virtually shut up shop until the Budget. They will want to see clarification of the Inland Revenue's delphic pronouncements concerning transitional arrangements for the new tax régime on gilts .

On the broader front, the gilt market is looking for nothing less than a return to tight fiscal and monetary policy. As last year, the market wants to hear stern words about the continued anti-inflationary thrust of the Government's policies, but it wants them to be matched this time by actions. For Mr Lawson to ge ta very favourable response fro mthe gilt market he was "do a Geoffrey Howe" and visibly tighten fiscal policy, abandoning tax cuts and instead using all spare headroom to reduce the public sector borrowing requirement (PSBR). This would imply a figure of £6bn or less.

This is not, however, what the market thinks is likely, and it would regard a PSBR of £7bn as acceptable, provided that the assumptions behind it were not only plausible, but conservative. In other words, they should not rely on ambitiously restrictive projections for public expenditure, nor on optimistic views about oil revenues. A beefed-up programme of asset sales, or a clever fiscal ruse such as last year's accelerated payment of VAT on imports, would go down like a lead balloon.

The Chancellor's biggest problem is over sterling and inflation. There is little that he can do directly about sterling, but the gilt market will want him to scotch the idea that he is indifferent to its level, and to do what he can in the structure and presentation of his Budget measures to ensure a favourable response from the foreign exchanges.

In part, this will depend on what he can say about inflation. The latest official assumption of 4½ per cent for the coming fiscal year looks too low in the light of the pound's weakness. The market could swallow a much higher figure, provided that it can believe that the trend thereafter will be downwards.

If Mr Lawson does not deliver an ultra-tight fiscal policy to ensure this, then he must do something about monetary policy. Unfortunately, short of putting up interest rates again (which the market would not like) he only has gestures at his disposal. Nevertheless, he should make them. He could lower the target range for sterling M3, either get rid of or demote M0 (the butt of many a City joke) and bring back PSL2 (the broadest measure of private sector liquidity including building society deposits) as a target variable.

In the past, the Budget has often been the occasion for changes in base rates. But the gilt market approaches this Budget in a continuing state of anxiety about sterling. The market would be more impressed with Mr Lawson if he strengthened the case for base rate cuts, but left them as an attractive prospect on the horizon, to be realised as and when conditions permitted, than if he pushed for an immediate reduction to sweeten an otherwise stern Budget.

Roger Bootle
Capel-Cure Myers

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11⅜ 94	100	96⅞	−0⅛	12.34
Amer Savings 12 89	125	98⅞	−1⅛	12.60
Amer Savings 12⅛ 89	100	99⅛	−1	12.42
Asian Dev Bk 11⅛ 93	100	96	−0⅞	12.50
Australia 11¼ 90	100	98	−1½	11.72
Australia 11½ 95	300	95½	−1⅛	12.25
Australia 11⅝ 98	100	97⅛	−2	12.04
AIDC 11 89	75	96⅞	−1⅜	12.03
[illegible]				

	Issued	Price	Chg. on week	Yield
Texaco 10½ 90	200	92½	−1½	12.48
Texaco 10½ 93	200	101⅞	+8¾	10.15
Texaco Capital 13¼ 89	200	103⅞	−0⅞	12.36
Texas Instru 11⅞ 91	150	97⅞	−0⅛	12.38
Tokai Asia 12¼ 91	100	98¾	−0⅛	12.65
Tokyo Electric 6½ 89	70	92	−0⅞	8.95
Tokyo Electric 13⅝ 89	100	106⅛	+0⅛	11.47
Toronto-Dom 12⅛ 89	50	100	−1⅛	12.60
UBS 12⅛ 91	100	98⅛	−2	12.64
Veba 8 93	70	101½	−2⅛	7.75
[illegible]				

	Issued	Price	Chg. on week	Yield
Australia 8½ 91	15	104	0	7.67
Australia 8⅝ 92	15	104½	+0⅞	7.83
Denmark 8¾ 92	15	103⅝	+1⅛	7.86
Eurofima 6½ 86	10	100	0	6.48
Eurofima 7⅞ 94	10	100½	+0⅛	7.30
Eurofima 8⅜ 88	10	103⅞	+0⅛	7.47
Euro Invest Bk 7⅝ 89	15	102½	+0⅞	7.06
Euro Invest Bk 8⅛ 92	15	103⅝	+0⅛	7.57
Finland 8⅞ 87	15	102⅞	+0⅛	6.91
Finland 8⅞ 89	15	103⅛	+0⅛	7.51
[illegible]				

STRAIGHT BONDS: [illegible]

FLOATING RATE NOTES: U.S. dollars unless indicated. Margin above six-month offered rate (‡ three-month: § above mean rate) for U.S. dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: U.S. dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most [illegible]

* Perpetual.

Closing prices on March 8

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

Rothschild unveils novel Blagden package

THE PROBLEM: a U.S. company wants to sell its European assets in a handy package at the best possible price. Its UK associate wants to buy the business—but is not nearly big enough to finance a takeover on this scale in a conventional way. The solution: a novel and highly complex transaction unveiled last week by merchant banker N. M. Rothschild.

City Investing, a U.S. conglomerate which is in the process of winding itself up, has placed its 34 per cent shareholding in Blagden Industries of the UK on the London Stock Exchange, and is going to sell its steel drum making activities in continental Europe to Blagden for at least £25.8m ($27.7m).

Blagden, which has a current stock market value of just £18m, will be transformed by the deal. Its sales will jump from £72m to £119m, and the number of its shares which can freely be traded on the stock exchange will rise threefold.

Rothschild, which is acting for the UK company, has had to meet at least three different objectives. City Investing wanted a good price for its continental assets, and was unwilling to sell its strategic shareholding in Blagden at a big discount to the market price.

Although Blagden could not hope to raise enough money by a normal rights issue, some way had to be found to prevent its existing shareholders being completely swamped by a great wave of newly issued shares. It was also important to limit the scope for an unwelcome bidder, who might otherwise seize the opportunity presented by all these new shares to build up a big stake in Blagden.

The first stage of the transaction came last week, when City Investing's shares were placed with roughly a score of UK institutions at 112p a share. That represented a discount of about a tenth on the market price, but the U.S. company hopes to claw some of this back through the second stage of the deal.

To pay for the European companies, Blagden is handing over £9m in cash and nearly 15m new shares—which Rothschild is going to offer for sale through a combination of a fixed price and a tender offer.

In this package, 9m shares will be offered at a fixed price of 112p, and existing shareholders who want to apply will be guaranteed an allocation of at least three shares for every 10 held. Now comes the tricky part.

The remaining 5.95m new shares will be sold by tender at a minimum of 112p. The price will be the highest at which the tender offer is covered by applications—and 5/6ths of any premium will be handed over to City Investing. Unsuccessful applicants for the tender will have their bids put into the pot for the fixed price offer.

The idea is that if the market likes the look of the whole package, City Investing will get some of the benefit. The number of shares on which it stands to get any premium in the tender offer roughly equals the size of the shareholding in Blagden which it sold last week.

By limiting the size of the tender offer, Rothschild has reduced the risk of a would-be bidder building up a big stake by offering a high price.

This is all very fancy stuff for a company which is in an unglamorous business and has a distinctly dull earnings record. But the shares are being offered on a price-to-earnings ratio of only eight and with a dividend yield of over 9 per cent.

Meanwhile existing shareholders face a sharp dilution in net assets per share, and the deal does nothing for earnings in the short term. But they are promised that their company will be turned into a major European force in its industry, with a greatly strengthened competitive position.

Rothschild comes out of it very nicely. It is making a turn of 3p per share on the offer for sale, out of which it has to pay underwriting commissions of roughly 1½p per share and some marketing expenses. It is also arranging a loan facility of £9m to cover the cash part of the bid.

Richard Lambert

Major restructuring for Philips

BY LAURA RAUN IN AMSTERDAM

PHILIPS, the Dutch electronics giant, is to make sweeping changes in its home electronics divisions following continuing losses and in its stagnating domestic appliances / personal-care products sector.

A total of Fl 725m ($188.8m) was charged against operating income last year for a "major restructuring" of these two sectors, according to Philips' report for 1984. One area that is likely to come under the scalpel is Grundig, the West German consumer electronics company in which Philips has a controlling interest. As many as 5,000 jobs—more than a fifth of Grundig's workforce—may be shed in an effort to reverse the DM 286m ($83.9m) loss in 1983-84.

It has long been speculated that the Dutch company eventually would take sizeable write-offs against its V2000 video cassette recorder, which has suffered badly in competition from rival formats. Some consolidation among Philips' seven European television plants is possible, although the Eindhoven-based company has declined to elaborate on its figures before March 26, when it plans an announcement.

Mr Wisse Dekker, president, had lauded the 1984 results but noted his dissatisfaction with the 2 per cent profitability ratio —net income as a percentage of sales. The aggressive Mr Dekker has declared a goal of 5 per cent profitability for his company, which would top rival Matsushita's 4.5 per cent and Hitachi's 3.8 per cent.

Last year's operating losses in the home electronics division followed a Fl195m trading loss in 1983 caused by sharp price competition, sluggish growth in traditional products, and high start-up costs for new products. Last year, sales outside the U.S. market were almost static.

Philips has expressed concern over the lacklustre performance of its domestic appliances and personal-care products division, where markets are largely saturated. Trading profit fell by 6 per cent to Fl429m in 1983. The consolidation of Bauknecht, a West German household appliance company, was the only reason for a sales increase last year.

ANR meeting to consider ways to fight $2.3bn bid

BY OUR NEW YORK STAFF

AMERICAN Natural Resources (ANR), the Detroit-based oil and natural gas company, has scheduled a board meeting for today to consider a variety of proposals designed to fight off the $2.3bn takeover offer from Coastal Corporation, the Texas energy group.

The Detroit company said in a filing with the Securities and Exchanges Commission that one of the moves under consideration was a buy-out plan under which the company's equity would be acquired both by present management and an unidentified third party.

Although ANR has not formally rejected the Coastal offer, it has described it as "entirely inadequate," and its repsonse indicates that it is preparing an elaborate takeover defence.

The SEC filing mentions a variety of alternative actions used by American companies to avoid a hostile offer. These include seeking a merger with a friendly suitor, a share buy-back, or a sale of its own assets.

It also says it is considering a "material change in the present capitalisation or dividend policy of the company" — a reference to the practice of changing the financial structure of a company under attack so that it becomes prohibitively expensive to buy.

Reaching other parts boosts Heineken

BY OUR AMSTERDAM CORRESPONDENT

HEINEKEN, the Dutch brewer, achieved a 16 per cent increase in profit to Fl 229m ($59.6m) or Fl 11.90 a share, last year compared with Fl 198m, or Fl 10.30 a share, in 1983.

Sales topped the Fl 5bn mark for the first time, surging by 33 per cent to Fl 6.135bn. Heineken, which claims to the most international beer in the world, attributed the spurt in turnover to foreign acquisitions last year.

Because of its small home market, Heineken has long sought to expand abroad, often taking minority shareholdings in local companies and increasing the stake as expertise improves under Dutch hands. In Europe, Heineken aims to establish its beer as a regional brand.

Last year the Amsterdam-based company took a 51 per cent stake in Sogebra, a joint-venture with Brasseries and Glacieres Internationales involving nine breweries and 25 per cent of the French beer market. It also acquired a 30 per cent share in El Aguila, the largest Spanish brewery, and a 34 per cent stake in International Brasseries of Cameroon.

The 1984 dividend was left unchanged at Fl 3.50.

Rinascente earnings ahead

BY ALAN FRIEDMAN IN MILAN

LA RINASCENTE, one of Italy's largest retailing groups, has announced a 15.8 per cent rise in net earnings, to L59.1bn ($27.3m) for 1984.

The profits rise was struck on total sales of L2,064bn an increase of 13.8 per cent on 1983. Before striking the net profit level, Rinascente had L23.1bn in depreciation provisions and paid L11.4bn in taxes.

Rinascente owns 14 department stores in Italy and interests in supermarkets, do-it-yourself centres, and fast food outlets.

Last year the Agnelli family, which controls the Fiat industrial group, bought 48.7 per cent of Rinascente, giving it effective control.

Advanced Publications buys New Yorker

By Terry Dodsworth in New York

THE NEW YORKER, one of the most influential literary magazines in the U.S., is being taken over in a $167m agreed cash bid by Advanced Publications, a broadly-based publisher of books, periodicals, and newspapers.

The deal has come after a month of talks during which New Yorker shareholders forced up the offer price from $180 a share to $200. Advanced Publications already had a 17 per cent stake in the magazine, while Mr Peter Fleischman, the son of the founder, had 25 per cent.

According to the New Yorker, the merger agreement says that the magazine will be allowed to continue to operate on an independent basis as a separate company. The jobs of current employees would be retained.

Advanced Publications is owned by Mr Samuel Newhouse, whose expanding stable of publications includes Vogue, Mademoiselle, and Vanity Fair, along with Random House Books and 29 newspapers.

One of the main attractions of the New Yorker, which made net profits last year of $5.6m, will be its subscription list. The magazine has a weekly circulation of just over 500,000, and has the reputation of being read by many of the most influential people in the country. It also controls a Colorado printing company.

NEBB growth

Norsk Elektrisk & Brown Boveri (NEBB), Norwegian subsidiary of Switzerland's Brown Boveri, is paying a 14 per cent dividend, for 1984, compared with 12 per cent for 1983, writes Fay Gjester in Oslo. This follows a 25 per cent increase in profits to NKr 75.7m ($7.8m) before extraordinary items. Turnover rose 11 per cent to NKr 2,032m, of which exports accounted for NKr 246m.

Further growth is forecast this year, reflecting the company's successful policy of widening its product range.

Orders in hand at the end of 1984 were worth NKr 1.2bn.

INTERNATIONAL APPOINTMENTS

Harwood resignation shocks Signetics

BY LOUISE KEHOE IN SAN FRANCISCO

EXECUTIVES of Signetics Corporation, the Silicon Valley semiconductor manufacturer owned by Philips of Holland, are "in a state of shock" following the surprise resignation last week of Mr Charles E. Harwood, company president for 14 years.

Mr Harwood led Signetics through the turbulence of the semiconductor market's volatile cycles earning the company a reputation as one of the most stable in the industry.

Originally appointed by Corning Glass, then owners of Signetics, Mr Harwood took the company public in 1973 and remained president when Signetics was acquired by Philips in 1975. The company's revenues have grown dramatically over that period from $34m in 1970 to $720m last year.

Mr Harwood has announced that he will be leaving Signetics on April 1 to found a venture called Quality Improvement with two former Signetics colleagues. Mr Harwood is well known in the electronics industry as a champion of product quality.

Signetics are seeking a new president outside the company. Mr Harwood's departure will "bring changes, but not problems" to Signetics, he said. "Change will be good for Signetics," he believes.

Others are less sure. They fear further executive defections following Mr Harwood's resignation. Following record earnings last year Signetics employees earned substantial bonuses ranging from a reported $500,000 at the top of the company, to several thousand dollars for most employees. The bonuses could provide executives with the opportunity, if they so choose, to enter the ranks of Silicon Valley entrepreneurs. Already Mr Harwood's second-in-command has chosen this route.

Malaysian central bank names new Governor

BY WONG SULONG IN KUALA LUMPUR

DATUK JAFFAR Hussein is to take over as Governor of Bank Negara, Malaysia's central bank, from Tan Sri Aziz Taha, who resigned over major differences with the Ministry of Finance on the management of the economy.

Datuk Jaffar, 53, currently executive chairman of Malayan Banking, the second largest bank, will take over on June 1. Bankers feel he is a suitable successor to Tan Sri Aziz, who had fought hard to retain the integrity and independence of Bank Negara. He has earned high regard during his three and a half years tenure in Malayan Banking and previously headed Price Waterhouse Malaysia.

Tan Sri Aziz has been with Bank Negara for 16 years, and has been Governor for the past five and a half years.

Canadian Senator joins Bank of British Columbia

BY ANDREW BAXTER

Mr Jack Austin, a member of the Canadian Senate, has joined Bank of British Columbia as president of the international division, with a brief to expand the bank's Hong Kong and London operations.

Mr Austin, a 52-year-old lawyer, is taking his first step in banking after holding various posts in the Trudeau Government. He took responsibility for the Federal Government's participation in Vancouver's Expo 86.

He has participated in several government and business missions to Asia, and his main task at Bank of BC will be to boost its presence there. He will also be looking to expand the London operations, consisting at present of a representative office.

Three UK-based plantation companies in agreed merger

BY MARTIN DICKSON

THREE UK-BASED plantation companies with interests in Indonesia have agreed to a merger, creating a group with three developed rubber and cocoa estates and net assets of some £10m.

The three companies are:— Anglo-Indonesian Corporation, Plantation & General Investments and REA Holdings, which is a subsidiary of International Investment Trust Company of Jersey. They will transfer their Sumatran plantation interests to a newly incorporated company, Anglo-Eastern.

They said that the merger had two principal aims. One was to create a plantation group with a better balance of products, and between mature and immature areas, than any of their individual interests. The other was to provide an asset base sufficient to complete with maximum efficiency the clearing of a new palm oil plantation in the Tasik area of Sumatra.

After the merger, Anglo-Eastern intends to raise the sterling equivalent of $7.5m for development purposes. This will be by way of an offer for subscription, principally to shareholders of Anglo-Indonesian, P & G, REA and IIT. At the same time, an application would be made to the Stock Exchange for a listing for Anglo-Eastern.

Following completion of the merger, REA would have a 52 per cent stake in Anglo-Eastern, with Anglo-Indonesian holding 33 per cent and P & G 15 per cent. However, Anglo-Indonesian and P & G would subscribe to the share offer with a view to increasing their combined interest in Anglo-Eastern to a similar level to REA.

BOARD MEETINGS

TODAY

Interims: Land Investors, London Shop Property Trust, Microfilm Reprographics, Parker Knoll.

Finals: L. M. Ericsson (Telefonaktiebolaget), Greggs, Highlands and Lowlands, Low and Bonar, Phicom, TR Pacific Basin Investment Trust, T & S Stores.

FUTURE DATES

Interims—	
Blue Bird Confectionery	Mar 27
Celtic Haven	Mar 15
Maunders (John)	Mar 20
Pacific Sales Organisation	Mar 20
Prestwich Holdings	Mar 18
Finals—	
B.A.T. Industries	Mar 27
Bairstow Eves	Mar 12
Camellia Investments	Mar 14
Canning (W.)	Mar 26
Clifford's Dairies	Mar 21
Delaney	†Mar 21
Higgs and Hill	Apr 3
Highcroft Investment Trust	May 2
House Property Company of London	Mar 15
Jones and Shipman	Mar 20
Needlers	Mar 14
Noble and Lund	Mar 21
Petranol	Mar 18
Pittard	Mar 18
Queens Moat Houses	Apr 2
Rotork	Mar 27
Rugby Portland Cement	Apr 15
Sedgwick	Mar 14

† Amended

Yarrow rises to £578,000

Yarrow, the marine engineering consultant and manufacturer of control systems, achieved half-year taxable profits of £578,000 compared with £405,000 in the corresponding period.

And the board is confident that the level of group profit will be at least maintained in the second half—taxable profits for the 1983-84 year amounted to £1.61m.

The interim dividend for the six months to end-December 1984 is being held at 2.5p per 50p share. Stated earnings rose 2p to 8.5p.

Sir Eric Yarrow, chairman, says the company's future strategy "remains to support successful subsidiaries and to seek suitable opportunities for expansion."

Last month, Yarrow announced that it did not intend to make a bid to repurchase the Yarrow shipyard on the Clyde which was nationalised in 1977.

Yarrow says it is still convinced that the compensation received for the nationalised yard was "totally inadequate," and hopes that the European Court of Human Rights will recognise "the injustice" and provide a remedy when it hears the company's case late this June.

Sir Eric says YARD had a particularly successful half year but Control Systems experienced a downturn in business both in the UK and overseas.

The business and assets of Automatic Revenue Controls have been disposed of and provision has been made for remaining costs.

Group turnover amounted to £11.94m against £10.3m. The tax charge was £236,000 (£144,000), leaving net profits of £342,000 (£261,000).

IN THE SUPREME COURT OF HONG KONG
COMPANIES WINDING-UP
NO. 72 OF 1977

IN THE MATTER of the Companies Ordinance (Chapter 32) and IN THE MATTER of Gulf Arabian Limited (In Liquidation)

NOTICE IS HEREBY GIVEN that a Petition was on the 5th day of March 1985 presented to the Supreme Court of Hong Kong for:
(1) the sanctioning of a Scheme of Arrangement dated the 17th day of January 1985 between Gulf Arabian Limited (In Liquidation) (hereinafter called "the Company"), Standard Chartered Bank, the Unsecured Creditors of the Company and the Holders of its shares of HK$1 each; and
(2) the confirmation of the reduction of the share capital of the Company from HK$ 30,000,000 to HK$ 2,000,000 provided for in the said Scheme of Arrangement.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before The Honourable Mr Justice Jones at the Supreme Court, No 38 Queensway, Hong Kong, at 9.30 o'clock in the forenoon on Tuesday, the 19th day of March 1985.

ANY Creditor or Shareholder of the Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital as aforesaid should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the Official Receiver and Liquidator of the Company on payment of the regulated charge for the same.

Dated this 11th day of March 1985

A. L. Robertson
p.p. Official Receiver and Liquidator
14th Floor, Sutherland House,
3 Chater Road, Hong Kong

FINANCIAL TIMES STOCK INDICES

	Mar. 8	Mar. 7	Mar. 26	Mar. 25	Mar. 22	Mar. 1	1984/85 High	1984/85 Low	Since Compilation High	Since Compilation Low
Government Secs.	80.30	80.09	80.02	80.15	80.19	80.17	83.77	76.72	127.4	49.18
Fixed Interest	83.60	83.69	83.49	83.53	83.66	83.69	87.46	80.43	150.4	50.53
Ordinary	988.1	987.6	990.4	982.0	979.9	975.0	1024.5	755.3	1024.5	49.4
Gold Mines	474.9	481.0	467.8	476.2	477.8	476.5	711.7	439.5	734.7	43.5
FT-Act.All.Share	619.40	619.59	619.26	614.79	610.53	606.82	627.28	464.84	627.28	61.92
FT-SE100	1288.6	1285.8	1285.4	1274.9	1265.7	1250.8	1305.7	986.9	1305.7	986.9

Alliance Trust asset value jumps 189p

IN THE year ended January 31, 1985 the Alliance Trust has beaten its estimate of earnings, while its net asset value per share has risen by 189p to 874.4p at the year end. The weakness of sterling has been beneficial, the directors say.

Earnings came out at 17.65p per share, compared with 17p forecast and with 13.73p achieved in 1983-84. And the final dividend is 12.25p, which lifts the net total from 13.5p to 17.25p.

Of the company's assets 62 per cent are overseas, including 50 per cent in the U.S.

New investment in America has favoured large, well capitalised companies in electronics, health care and food products, while sales have been made in the oil and banking industry.

In the UK net sales amounted to £9m, mainly in electronics and defence companies. A large part of the 38 per cent of assets held in the UK relates to companies with international operations.

The 28 per cent lift in earnings reflects the combined effects of rising dividends, falling corporation tax, and the enhanced value of overseas income as sterling depreciated. The average rate of exchange on U.S. dollar income was $1.31 ($1.51 last year).

With another 5 per cent reduction in corporation tax this year, "it would take a very strong sterling recovery to thwart the prospects of further earnings growth," the company claims.

Gross revenue for 1984-85 rose by £2.5m to £15.55m, while the net revenue available was up from £6.92m to £8.9m.

Mercantile Credit profits nearly double

Mercantile Credit, the finance house subsidiary of Barclays Bank, lifted pre-tax profits to £64.3m in 1984 — almost double the previous year's £33.42m.

The record result reflected an increase of over 40 per cent in new business, a rise in market share, better margins, cost containment and, due to the improved quality of business, a reduction of 34 per cent in new provisions for bad and doubtful debts.

The accounts reveal that during the year an ex-gratia payment of £51,180 was made to a former director. In addition, the company made exceptional payments totalling £224,390 to its group pension scheme to fund an increase in benefit and a partial commutation of pension.

The entire £275,000 package is understood to have involved Mr Martin Akland, a director of the bank who took early retirement.

F.T. Share Information

The following securities have been added to the Share Information Serivce.

Alexandra Workwear (Section: Industrials).

Bennett and Fountain Group (Electricals).

Spafax Television Holdings (Industrials).

Wheway Watson Holdings (Engineering).

LADBROKE INDEX
Based on FT Index
980-984 (−2)
Tel: 01-427 4411

Ingall dismisses possible offer as 'unacceptable'

BY MARTIN DICKSON

Ingall Industries, the only British funeral director with a full stock market listing, announced yesterday that it had received an "unsolicited and wholly unacceptable approach" which was likely to lead to an offer for the company.

The approach is believed to have come from Greater Midland Cooperative Society, the biggest local rival of Wolverhampton-based Ingall.

The predator does not appear to have put a price to Ingall, whose shares stand at 73p, giving it a market capitalisation of £6.5m.

Ingall has itself been expanding in recent years, buying up smaller funeral directors and establishing a particularly strong presence in Lancashire and Merseyside. It had pre-tax profits of £842,000 in 1984 on turnover of £6.3m, compared with profits of £698,000 in 1983 on turnover of £5m.

The company has 750 shareholders, including a substantial number of former employees. Directors hold 7 per cent of the equity, while institutional investors include Britannia Assurance and Wesleyan & General Assurance.

Stone Intnl. £2m deal for failed boiler-making group

BY PAUL HAM

Stone International, the transportair conditioning group, yesterday completed its second acquisition in two months with the purchase of W. G. Allen & Sons (Tipton), the failed boiler-making group.

Stone paid Allen's receivers, accountants Deloitte Haskins & Sells, £2.1m for Allen through an issue of 1,569,362 ordinary shares placed on Friday at 134p by Panmure Gordon & Co. brokers to Stone.

Stone's share price closed on Friday night unchanged at 143p.

Mr Bill Silvie, marketing director of Stone International, said the acquisition was a further step in Stone's plan to expand its international energy systems division, which primarily makes and distributes industrial boilers through Stone Boilers in the UK and Stone Johnston Corporation in the U.S.

Stone's first step in this direction was the acquisition in January of boiler-maker, Danks Gowerton, which was also in receivership, for £1.2m.

Mr Silvie said that the acquisition of Allen and Danks, would increase sales of the energy systems division to £25m a year, compared with £9m sales it achieved in the year ended May 31, 1984.

Stone achieved an interim profit of £3.16m in the six months to November 30, 1984, up from £2.6m in the same period in 1983.

COMPANY NEWS IN BRIEF

William Sinclair Holdings has moved into profit for the first time at the interim stage with pre-tax figures of £31,000. The dividend for the period is lifted from 1.5p to 1.65p.

* * *

Rights results have been announced by the following companies.

The Royal Bank of Scotland's issue was accepted by holders accounting for 92.1 per cent—the remaining shares were sold in the market at 241 11/32p, a premium of 31.38p.

Over 94 per cent of the shares offered by Newman-Tonks were taken up. The 14.62m shares offered by Bunzl were accepted by holders representing 95.44 per cent.

The 24.21m shares offered by Renold were taken up as to 93.2 per cent. The shares not taken up were sold at a premium of about 7.8p over the subscription price.

SHARE STAKES

Changes in company share stakes announced over the past week include:

Bristol Channel Shiprepairers—C. H. Bailey has sold 2.7m ordinary shares and its interest has reduced from 58.97 per cent to 55.59 per cent.

Cowie T.—T. Cower, a director, acquired 25,000 ordinary shares.

Habitat-Mothercare — T. D. Conran, chairman, on February 22 acquired 97,962 ordinary shares at 316p.

Winterbottom Energy Trust—London Merchant Securities now beneficially owns 7,956,500 (33.15 per cent, based on an issued share capitalisation of 24m ordinary (21 per cent). cumulative preference shares, which between them carry 700,000 votes in Winterbottom, LMS are now interested in a further 3,750 votes, 198,912 votes in total (28.42 per cent of total votes available).

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 8th March 1985, and has issued to the Bank, additional amounts as indicated of each of the following Stocks:

£200 million 9 per cent TREASURY LOAN, 1994

£200 million 10½ per cent TREASURY STOCK, 1999

£200 million 10 per cent CONVERSION STOCK, 2002

The price paid by the Bank on issue was in each case the middle market closing price of the relevant Stock on 8th March 1985 as certified by the Government Broker.

In addition, Her Majesty's Treasury has created on 8th March 1985, and has issued to the National Debt Commissioners for public funds under their management, £100 million of 10½ per cent Exchequer Stock, 1997.

In each case, the amount issued on 8th March 1985 represents a further tranche of the relevant Stock, ranking in all respects pari passu with that Stock and subject to the terms and conditions of its prospectus, save as to the particulars therein which related solely to the initial sale of the Stock. Application has been made to the Council of The Stock Exchange for each further tranche of stock to be admitted to the Official List.

Copies of the prospectuses for 9 per cent Treasury Loan, 1994 and 10½ per cent Treasury Stock, 1999 dated 14th January 1971 and 16th December 1977 respectively, and of the prospectus dated 12th August 1983 for 10 per cent Treasury Convertible Stock, 1986 (which contained the terms of issue of 10 per cent Conversion Stock, 2002) may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA. The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below:

Stock	Redemption date	Interest payment dates
9 per cent Treasury Loan, 1994	17th November 1994	17th May, 17th November
10½ per cent Treasury Stock, 1999	19th May 1999	19th May, 19th November
10 per cent Conversion Stock, 2002	11th April 2002	11th April, 11th October

The further tranches of 9 per cent Treasury Loan, 1994 and 10½ per cent Treasury Stock, 1999 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock. Dealings in the further tranche of 10 per cent Conversion Stock, 2002 for settlement prior to 11th April 1985 will, in common with the existing Stock, be effected on an ex-dividend basis. Official dealings in the Stocks on The Stock Exchange are expected to commence on Monday, 11th March 1985.

BANK OF ENGLAND
LONDON
8th March 1985

Clerical Medical

15 St. James's Square, SW1Y 4LQ. 01-930 5474

Executive Investment Pension Plan

	Bid	Offer	Change
Cash Fund	116.3	122.5	+0.3
Mixed Fund	148.1	155.9	+1.0
Fixed Interest Fund	118.7	125.0	+1.4
UK Equity Fund	160.0	168.5	+1.1
Property Fund	113.0	119.0	+0.2
Overseas Fund	176.5	185.8	−0.7
Index Linked Fund	106.2	111.8	+3.6
Stock Exchange Fund	120.6	127.0	+0.8
North American Fund	118.3	124.6	+1.1
Far East Fund	109.1	114.9	+0.6
Special Situations Fund	108.2	114.0	−0.7

Prices March 6 Unit dealings on Wednesday

Clerical Medical Managed Funds Limited

	Bid	Offer	Change
Cash Fund	143.4	143.4	+0.4
Mixed Fund	214.9	220.3	+1.5
Fixed Interest Fund	186.2	189.0	+2.1
UK Equity Fund	234.1	241.1	+1.6
Property Fund	129.1	134.9	+0.2
Overseas Fund	261.6	274.7	−1.0
Index Linked Fund	120.3	122.1	+3.9
Stock Exchange Fund	124.3	127.4	+0.8

Prices March 6 Unit dealings on Wednesday
Initial unit prices available on request, telephone 0272 290566

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
100	F.P.	8/5	137	124	Alexandra Work. 10p	135	−1	bg4.8	2.8	4.7	12.1
§82	F.P.	—	79	72	‡BTS 10p	73	−1	bg3.4	2.0	6.6	9.5
§10	F.P.	8/2	14½	12	‡B'nnett&Fount'n10p	12½	−½	bg0.42	1.8	4.8	15.1
150	F.P.	3/5	152	151	Berkeley Technology	145	—	bQ8.7o	1.6	4.2	15.2
§90	F.P.	1/3	145	112	‡Bluebird Toys 10p	140	—	u3.15	2.3	3.2	18.7
§105	F.P.	13/3	106	96	‡Cons. Tern. Invs.20p	98	—	ud5.0	2.0	7.3	9.2
‖	F.P.	—	127	118	Cullen's Hldgs 10p	118	−2	—	—	—	—
100	F.P.	22/3	110	101	German Small Units●	110	+1	—	—	—	—
¶145	F.P.	14/3	180	165	Hillsdown Hldgs. 10p	165	—	gd3.5	♦	3.0	♦
§100	F.P.	—	122	117	‡Mayhew Foods 10p	120	−2	bg1.65	2.9	2.3	18.6
‖	F.P.	—	325	255	‡Memcom Intl. 10p	280	+15	3.5	4.1	1.8	17.0
§125	F.P.	—	218	190	‡Osborne & Little 5p	195	+5	bg2.0	3.2	1.5	3.09
100	75	1/3	76	70	Pacific Assets Tst.50p	75xa	—	—	—	—	—
—	F.P.	—	41	39	Do. Ser. 1 Warrants	40	—	—	—	—	—
¶¶	F.P.	—	85	80	P.&O. Warrants	85	—	—	—	—	—
‖	F.P.	—	49	37	‡Sangers	47xa	—	—	—	—	—
§128	F.P.	11/4	158	142	‡Sims Catering 5p	158	+5	bg3.7	2.1	3.4	18.3
§68	F.P.	13/2	108	82	‡Spafax Television	94	+2	b2.0	2.9	3.0	17.1
§174	F.P.	1/3	225	200	‡Synapse Comp'r. 5p	220	—	bgd1.5	5.1	1.0	28.8

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price £	+ or −
91.674	£30	10/4	34¼	27	African Dev. Bank 11¼% Ln. 2010	32¾	+¼
¶¶	F.P.	—	113	106	Beazer (C. H.) 8½% Uns. Ln. 2000	109	—
100	£10	—	12⅛	11¾	Bournemouth Wtr. 12¾% Red. Deb. '95	12⅛	+⅛
§101	£51	15/3	54	50	Felixstowe Dock Prf. Units †	51	—
85.81	£30	19/6	30⅛	24	Int.-Am. Dev. Bk. 9¾Ln. 2015	29¾	+¼
100	£10	—	12⅛	11¼	Mid Kent Wtr. 12¾% Red. Deb. 1995	12⅛	+¼
100	£10	—	11	10½	Do. 12¼% Red. Deb. 2005	11	+¼
¶100	£10	—	12	12	Mid Southern Wtr. 9% Red. Prf. 1990	12	—
§97½	£10	26/4	11¾	10⅝	Mid-SussexWtr. 12% Deb 2010	11⅛	+⅛
—	F.P.	—	99⅝	98⅜	Nationwide Bldg. Soc. 12% 3/2/86	98¾	—
—	F.P.	—	100¼	109	Do. 12⅝% 24/2/86	100¼	+1
¶¶	F.P.	—	114	109	P. & O. 6.5% Conv. Red. Prf.	111	−2
¶¶	F.P.	—	115	109	Pleasurama 7% Cnv. Red. Prf.	115	+2
‖	F.P.	12/4	114	102	‡Sangers 11% Cnv. Uns. Ln. 94/02	114	+1
‖£11	F.P.	15/3	119	107	Shires Inv. Units ‡	119	—
49.895	£30	12/7	32	30	Spain(Kingdom of) 11¾% Ln 2010	33	+¼
91.976	£20	27/3	24⅞	17½	Sweden 11% Ln. 2012	22	+¼
‖	F.P.	26/4	117	115	Tricentrol 11% Cnv. Uns. Ln. 95/05	116	—
‖	Nil	—	1¼pm	½pm	Wigfall (H) 7% Cv. Cm.Prf Rd.	½pm	—

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date ■	1984/85 High	1984/85 Low	Stock	Closing price	+ or −
8	Nil	—	30pm	15pm	‡Acorn Computer 1p	pm15	−1
39	Nil	12/4	7pm	2½pm	Barrow Hepburn	3½pm	—
R5	Nil	—	68pm	20pm	Beatrix Mines	25pm	+1
125	Nil	—	50pm	20pm	Bibby (J) 50p	20pm	—
370	F.P.	4/4	468	415	Bunzl	455	−7
A$2	Nil	—	48pm	43pm	♥CSR A$1	44pm	—
385	Nil	3/4	90pm	75pm	DPCE 5p	90pm	—
12½	Nil	26/4	1pm	½pm	Lyle Shipping Prefd. 5p	¼pm	—
80	F.P.	22/3	96	85	Newman-Tonks	90	—
100	F.P.	29.3	222pm	212pm	New Tokyo Inv. Tst. 50p	217	—
A$0.2	Nil	—	3pm	3pm	♥Oil Search	3pm	—
66	F.P.	—	85	80	‡ Pres. Entertainments50p	84	—
650	Nil	26/4	158	148	R.E.A. Hldgs. Units††	148	—
39	F.P.	29/3	49½	45¼	Renold	49½	+2½
210	F.P.	9/4	260	232	Royal Bank of Scotland	258	+3
33¼	F.P.	—	47¼pm	36¼pm	‡Sangers	45pm	−1
40	F.P.	29/3	57pm	47pm	‡Southwest Res. 40p	53pm	−1
190	Nil	—	121½pm	31½pm	STC	121½pm	+5
435	Nil	—	132pm	90pm	Systems Designers 5p	90pm	−5
12½	F.P.	27/3	25½	21½	Westwood Dawes 'B' 12½p	22	—

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters or fully-paid. ‖‖ Introduction. ‡ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share. ‡ Comprising one 11 per cent Cnv.Uns.Ln stk. and one Warrant. ● With Warrants attached. ‡‡ Units comprising one New Ord., four New Pref. and one Warrant. ‡ Figures or report awaited.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Anglo Amer Inv Tst	Apr 12	Final 440c	Legal and General	Mar 28	Final 12.5
Assoc Brit Ports	Apr 4	Final 5.5	*Low & Bonar	Mar 11	Final 4.5
Automotive Products	Mar 20	Final 0.5	*Lucas Inds	Mar 28	Interim 2.8
*BAT Industs	Mar 27	Final 4.875	Mills and AllenIntl	Mar 18	Interim 4.0
*BICC	Mar 20	Final 7.04	*Mitchell Cotts	Mar 15	Final 19.8
Babcock Intl	Mar 28	Final 4.3	Morgan Crucible	Apr 12	Final 4.0
*Barratt Devs	Mar 19	Interim 2.31	Newarthill	Apr 11	Final 10.0
*Bejam	Mar 13	Interim 1.75	Ocean Transport	Mar 27	Final 2.35
*Boddingtons Brews	Mar 19	Final 1.5	Phoenix Assurance	Apr 4	Final 12.2
*Bowater	Mar 21	Final 4.25	*Prudential	Mar 27	Final 13.5
*Brent Chems	Mar 26	Final 2.2	*Queens Moat Houses	Apr 2	Final 0.685
British Aerospace	Mar 27	Final 5.6	Reckitt and Colman	Mar 27	Final 7.85
British Car Auction	Mar 27	Interim 1.1	Rio Tinto-Zinc	Apr 11	Final 12.0
*Britoil	Mar 21	Final 6.7	Rockware	Mar 21	Final nil
Brixton Estate	Apr 11	Final 2.7	*Rowntree Mackintosh	Mar 14	Final 6.55
Bunzl	Apr 2	Final 6.0	*Royal Dutch	Mar 14	Final Fl 5.40
Burmah Oil	Apr 11	Final 8.25	Rugby Portland Cement	Apr 15	Final 3.1
Burton	Mar 20	Interim 2.0	Scottish Heritable Tst	Mar 29	Final 1.1
Cape Inds	Mar 27	Final 3.9	*Sedgwick	Mar 14	Final 5.25
Costain Bros	Apr 3	Final 2.8	*Shell Transport	Mar 14	Final 15.9
Coats Patons	Apr 11	Final 3.2	*Slough Ests	Apr 1	Final 2.475
Combined Eng Stores	Mar 26	Final 2.01	Smith and Nephew	Mar 20	Final 3.1
Cookson	Apr 12	Final 6.5	Smiths Inds	Apr 11	Interim 4.75
*Croda Intl	Mar 26	Final 4.0	Standard and Chartered Bk	Mar 27	Final 18.5
*DRG	Mar 27	Final 3.5	*Steetley	Mar 25	Final 7.0
*De Beers	Mar 12	Final 25c	Sun Alliance	Apr 4	Final 34.0
*Delta	Mar 26	Final 1.93	*TI	Mar 14	Final 7.5
Eastern Prod	Mar 28	Final 5.0	Taylor Woodrow	Apr 10	Final 19.0
*Exco Intl	Mar 25	Final 4.0	*Transport Dev	Mar 14	Final 3.5
*Fisons	Mar 28	Final 9.0	Tricentrol	Mar 22	Final 7.2
*GKN	Mar 13	Final 5.0	*Turner and Newall	Mar 22	Final 0.75
*GRE	Apr 3	Final 15.25	*Ultramar	Mar 13	Final 11.0
Gill and Duffus	Apr 13	Final 6.0	*United Biscuits	Mar 13	Final 4.3
Glaxo	Apr 9	Interim 4.0	*United Newspapers	Mar 28	Final 8.0
Glynwed	Apr 5	Final 5.4	Weir	Mar 28	Final 1.75
Harris Queensway	Mar 29	Final 4.75	*Willis Faber	Mar 20	Final 15.0
*Hepworth Ceramic	Mar 22	Final 3.8	Woolworth	Mar 22	Final 6.0
*Hickson Intl	Mar 25	Final 2.5	*Yorks Chems	Mar 12	Final 1.25
*Higgs & Hill	Apr 3	Final 7.0			
*HK & Shanghai Bank	Mar 12	Final $0.37			
Horizon Travel	Mar 14	Final 4.457			
*IMI	Mar 26	Final 2.5			
*Ibstock Johnsen	Mar 28	Final 3.75			
*Kleinwort Benson	Mar 12	Final 7.5			
Kwik Save	Apr 13	Interim 1.3			
Ladbroke	Mar 28	Final 4.945			
*Lasmo	Apr 3	Final 7.0			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

Over-the-Counter Market

Capitalisatn. £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
4,845	Ass. Brit. Ind. Ord.	142	—	6.6	4.4	7.9	9.4
—	Ass. Brit. Ind. CULS	148	−2	10.0	6.8	—	—
3,300	Airsprung Group	67	+1	6.4	11.2	6.3	7.5
875	Armitage & Rhodes	35	—	2.9	8.3	4.4	7.3
44,259	Bardon Hill	142	−1	3.4	2.4	14.3	23.8
2,640	Bray Technologies	48	+1	3.5	7.3	6.6	8.0
1,970	CCL Ordinary	170	—	12.0	7.1	—	—
—	CCL 11pc Conv. Pref.	110	—	15.7	13.8	—	—
5,889	Carborundum Ord.	885	+15	5.7	0.6	—	—
—	Carborundum 7.5pc Pf.	86	—	10.7	12.4	—	—
680	Cindico Group	43S	—	—	—	—	—
4,222	Deborah Services	54	−1	6.5	12.0	5.1	8.3
19,603	Frank Horsell	305	+3	—	—	12.2	16.0
—	Frank Horsell Pr.Ord.87	261	—	9.6	3.7	10.5	13.7
4,045	Frederick Parker	28	—	—	—	—	—
1,033	George Blair	58	—	—	—	3.8	7.5
1,097	Ind. Precision Castings	27	−1	2.7	10.0	7.4	8.0
14,231	Isis Group	186	—	15.0	8.0	7.4	13.4
5,363	Jackson Group	103	−1	4.9	4.8	4.8	9.3
36,746	James Burrough	265	−3	13.7	5.2	9.4	9.4
2,961	James Burrough 9pcPf.	86	—	12.9	15.0	—	—
8,754	John Howard & Co.	84	−1	5.0	6.0	8.6	12.2
3,260	Linguaphone Ord.	170	—	—	—	—	—
—	Linguaphone 10.5pc Pf.	95	—	15.0	15.8	—	—
16,670	Minihouse Holding NV	612	—	3.8	0.6	44.0	46.2
428	Robert Jenkins	42	+2	5.0	11.9	—	—
1,280	Scruttons "A"	31	−1	5.7	18.4	16.3	3.8
1,904	Torday & Carlisle	78	—	—	—	8.4	17.7
1,668	Travian Holdings	368	−2	4.3	1.2	20.9	20.6
4,082	Unilock Holdings	26	—	1.3	5.0	12.6	18.2
12,153	Walter Alexander	95xd	+1	7.5	7.9	9.4	11.4
5,227	W. S. Yeates	224	—	17.4	7.7	5.4	10.7

S=Suspended.
Prices and details of services now available on Prestel, page 48146

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Grand Metropolitan

Why the U.S. can be a mixed blessing

Martin Dickson on the UK group's diversification strategy

"I'VE ALREADY had two calls today offering me companies," says Stanley Grinstead matter-of-factly, sipping morning coffee in his offices overlooking London's Hanover Square. "If you've done your preliminary thinking you can tell straight away if something someone offers you is going to fit."

Grinstead should know. As chairman of Grand Metropolitan for the past 2½ years, he is at the head of a drinks, hotels and leisure conglomerate built up by the late Sir Maxwell Joseph through deft practice of the art of the takeover.

And Grinstead himself has been the prime mover behind Grand Met's bold programme of acquisitions in the U.S. over the past four years, which is designed substantially to reduce the group's dependence on its UK base.

Grand Met has just completed its latest major U.S. acquisition—the takeover of Quality Care, an operator of home nursing services. It is a deal which at first glance might cause a few raised eyebrows; $124m—about 20 times current earnings— is a sizeable sum to pay for a service business many of whose assets are inevitably intangible. However, the move has generally been well received by City analysts as a logical expansion for Grand Met, even if the price paid is on the expensive side.

"Acquisitions like Quality Care are by their nature high risk," says analyst Mark Godridge at brokers de Zoete and Bevan, "but in the U.S. such businesses have good growth potential."

The thinking that led to the takeover, and the steps by which the company homed in on its target, give an insight into the acquisitions policy of one of Britain's largest companies and into the dramatic growth in the U.S. of "branded consumer services"—especially in the medical field—which may be setting a trend that the rest of the industrialised world will follow.

The Quality Care deal is only explicable within the framework of Grand Met's U.S. strategy and the story of that begins in the late 1970s. It was then that the group looked hard at the likely growth prospects in Britain—then providing 95 per cent of earnings and assets—and was not enthused by the potential. The answer was diversification abroad, but where?

Continental Europe was closest to home, but Grand Met's past experiences there, and that of other British companies, made it wary. "There are many difficulties in operating in Europe," says Grinstead. "It's not one market. The French are different from the Italians."

So the group cast its eyes across the Atlantic and liked what it saw: a single market, larger than Europe's, that spoke English and was red-bloodedly capitalist to boot. Grand Met decided on a major U.S. expansion, concentrating on acquisitions in two areas where it could draw heavily on its existing expertise: branded consumer goods and branded consumer services.

Branded image

In 1980 it snapped up the Liggett group, a manufacturer of cigarettes, soft drinks, pet foods and sporting goods for $590m and it followed that up the following year with the $500m purchase of the Inter-Continental hotels chain from Pan-Am.

Both acquisitions have proved relatively successful, although Liggett's cigarette manufacturing business, Liggett and Myers, has turned sour and is going to lead to a downturn in group half year profits.

Grand Met is keen to dispose of Liggett and Myers, which has been hit hard by the war in the U.S. between "generic" non-branded cigarettes—a market which Liggett itself pioneered. A management buy-out agreement collapsed last July.

Simultaneously, Grand Met is looking for other U.S. branded product companies to buy, but it admits the market has already been fairly well combed.

The field of branded consumer services, however, still offers substantial growth opportunities, and Grand Met's latest U.S. acquisitions have both been in this area.

A branded consumer service is simply a service that can be stamped with a brand image. A good example is the Inter-Continental chain; its hotels around the world are essentially all the same, so customers know exactly what to expect, be they in Houston or Hong Kong.

The lower value added of service companies means that they usually offer narrower trading margins than ones making goods. But, says Grinstead, they can produce very attractive growth provided you can brand them with a clear, quality image.

What that involves can be seen in Grand Met's first purely-U.S. branded services acquisition: Children's World, bought for $40 in 1983.

This provides child-care and early education (from 2½ to seven years old) at more than 150 centres in nine states, making it the fourth biggest operation of its kind in the U.S.

It is a market which appears to have immense growth potential. "More and more American ladies are wanting to pursue a career," says Grinstead, "and there are more and more one parent families in the U.S. The demographics all suggest there's going to be an increasing number of people in this position."

Grand Met is expanding its kindergartens at a rate of about 20 per cent a year, maintaining the quality branded image by ensuring that all the buildings are purpose-built.

With Children's World successfully under its belt, Grand Met began casting around for a larger services acquisition, a task which fell to the small acquisitions team the group keeps permanently in its U.S. headquarters at Montvale, New Jersey.

"Out of all our studies," says Jonathan Old, Grand Met's chief executive in North America, "the health care industry just seemed to keep on coming up."

That is hardly surprising, given the phenomenal growth taking place in this sector; in 1970 U.S. health care spending totalled $75bn. By 1983 this had risen to $354bn and last year the figure was over $400bn. Demographics again are largely responsible: people are living longer, and elderly people are more susceptible to illnesses.

Until 1983, the U.S. administration paid hospitals on a cost-plus basis for treatment under its Medicare system. Now, however, fixed rates are set for specific ailments. This has cut the average hospital stay from nine and a half days to seven and a half, though cynics say people go home "quicker but sicker."

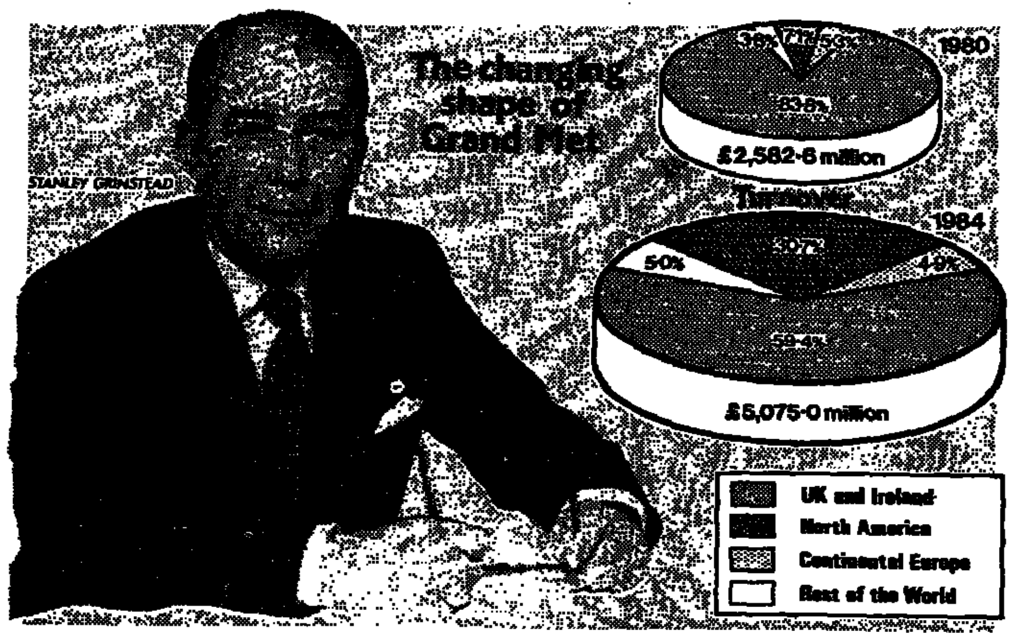
All this has meant the development of a huge market for home health care services, currently estimated to be worth $9.6bn a year and growing at a rate of 20 to 30 per cent per annum.

Having homed in on health care, Grand Met had next to identify the right company, and here again some general principles came into play: "When we buy something," says Grinstead, "we would prefer it to be a company that's got a reasonable size and status in the market, that's not going to be excessively costly but has got development and growth potential."

In other words, the biggest players in the U.S. home health care business were not particularly attractive, nor, as it happens, were they up for sale. Grand Met looked a little way down the league table and had preliminary talks with several companies, of which Quality Care seemed by far the most attractive: "It was good-sized, with an interesting and creative management group, and could provide us with the know-how to expand into other health areas," says Old.

Quality Care was founded in 1969 by Dr David Scheinman, who is still its chairman, and it now has 168 regional offices in 43 states across the U.S., employing 1,000 permanent and 9,000 freelance staff. In 1983 its operating income was $7.3m on sales of $111m, while in the first nine months of last year income totalled $5.7m (26 per cent up on the same period of 1983) on sales of $96m.

As it happened, Quality Care was already in talks about a possible merger with another large U.S. company—just who Grand Met still does not know, or is not prepared to say. But the Quality Care management seemed more enthusiastic in principle about a link-up with Grand Met.



Market niche

So then the hard talking about money began. Putting a price tag on a service industry company, one of whose greatest assets is goodwill, is notoriously difficult. Grand Met did its own sums, but also called in Morgan Stanley, its New York financial advisers, for an independent analysis, which gave it additional ammunition to fire at the Quality Care team.

"It took quite some time for them to accept," says Old. "There was quite a difference between what we were offering and what they were asking." And even after agreement, the price paid by Grand Met is understood to have been lowered by about 5 per cent, to $124m when Quality Care fell a little short of its profits forecasts.

In any takeover, the final price paid is a trade-off between the desire of the purchaser to get the right company in the right market niche and the underlying value of the business. Some UK companies operating in the U.S. have a definite "buy 'em cheap" policy. Grand Met is more pragmatic, though it did buy its first two big U.S. companies at a time when the pound/dollar exchange rate was extremely favourable. "Clearly one set out to buy a company at the most economical price, but equally one must look at the market place," says Grinstead.

"Liggett was a great buy at the time," says one London analyst, "but both Children's World and Quality Care are on the expensive side. It's up to Grand Met over the next year or so to produce results, or come up with some good reasons why not."

The Grand Met policy is to leave its U.S. operations largely free standing, having first made sure that the existing management is efficient and is going to remain with the group. So far this seems to have paid off.

The head office influence comes mainly from regular visits—Grinstead himself spends some six weeks a year in the U.S. — and in the setting of future strategy.

"U.S. management tends to be very short-term orientated," says Grinstead, due partly to the practice of quarterly reporting and partly to short-term executive bonus plans. "We pitch their minds forward three to five years."

The New York acquisitions team is now on the lookout for new prey, though Grand Met may want to dispose of Liggett and Myers before any major new takeover.

But the ultimate aim is clear: in 1984 some 36 per cent of Grand Met's trading profits came from the UK, 27 per cent from the U.S., and around 36 per cent from other international activities. Grinstead would like to make those proportions approximately 40 per cent UK, 40 per cent U.S. and 20 per cent the rest.

Work patterns

Flexibility makes slow progress

BY BRIAN GROOM

STARK EVIDENCE of how slowly British industry is developing more flexible working practices comes in a new report by Michael Cross of the independent, London-based Technical Change Centre.

The "flexible craftsman" is emerging on an increasing number of sites and there is an air of inevitability about the change, he says. But progress has been slow, setbacks many, and most companies have far to go before they develop the most appropriate and competitive working practices.

For three years Cross had been studying the emergence of multi-skilled craftsmen and the breakdown of craft/production demarcations in process industries like chemicals, plastics and food (Management Page, January 16, 1985). His latest report contains the results of a survey of 67 sites operated by 51 companies.

Companies' motivation for change is the need for broader skills to repair complex new equipment. They can also cut operating costs by allocating work more efficiently — for instance by teaching semi-skilled production workers to do some repairs on their own machinery, cutting out the waiting time for maintenance staff to arrive. But of the factories surveyed, 17 per cent had made no change at all.

The biggest group, 47 per cent, had achieved some flexibility between crafts within two "core" groups of mechanical and electrical/instrument trades, but there was no overlap with production workers.

Nineteen per cent had achieved this level of craft flexibility plus some interchange with production work. Only 9 per cent—in food, cigarettes, plastics and tyre manufacture—had achieved flexibility between the separate mechanical and electrical/instrument groups, as well as overlap with production.

Just 5 per cent (in food and plastics) had fully combined the mechanical, electrical and instrument jobs, along with interchange with the separate production functions.

At the most sophisticated end, 3 per cent in highly automated plants in food and petrochemicals had broken all the demarcations to create a "user-maintainer" who operated, maintained and repaired machinery.

Cross says the benefits are well established, even in cases where few redundancies result. "The full adoption of an integrated and flexible organisation can reduce manning levels by 20-30 per cent."

Companies which had fully combined their former maintenance and production departments into a single manufacturing function had improved machine efficiency by 10 to 15 per cent, and were able to run machines at speeds 20 to 65 per cent faster than those using similar equipment operated by a demarcated organisational structure.

Changes can profoundly affect several groups. The breaching of demarcations challenges Britain's multiplicity of occupation-based unions. Unions favour more training, but become ambivalent when this threatens to consign their traditional trades to oblivion. Cross says: "Solutions are being found at local levels and particularly on new sites, out of the sight of national union policies."

Supervisors have a crucial role in cross-matching tasks with those craftsmen who are becoming increasingly competent to undertake them, but the combining of maintenance and production will create a surplus of supervisors at many plants. The general move towards fewer levels of management and simpler communications means that foremen and chargehands may disappear.

Companies need to provide continuous training, but few are at present equipped to do this.

"The most significant aspect is the move from a series of autonomous departments, with cross-over only at senior management level, to ones which are integrated at supervisory and craft/operator levels," says Cross.

He concludes: "Few companies have managed to combine the abilities to define the craft working practices they require, obtain agreement among their managers, supervisors and craft unions, and be able to implement the agreed new working practices to obtain the full benefits.

Towards the Flexible Craftsman; Technical Change Centre, 114 Cromwell Road, London SW7 4ES; £8.50.

INSURANCE

Spotlight on kidnap and ransom policies

BY CHARLES BATCHELOR

LAST Thursday's Commons' call for the Government to outlaw kidnap and ransome insurance has focused attention on a little-known corner of the London insurance market.

Replying to Mr John Hume, leader of the Social Democratic and Labour Party, seeking a ban on this form of insurance, Mr Douglas Hurd, Northern Ireland Secretary, said the Government was looking at the way insurance companies offered such policies.

Mr Hume charged that they were "a positive encouragement to kidnapping."

Kidnap and ransom (K and R) insurance goes back several hundred years but became common in its modern form in the early 1970s.

Lloyd's became the place for wealthy individuals and companies with vulnerable senior executives to turn for cover against the effects of kidnapping and ransom. The value of K and R premiums rose to a peak of about $60m (£56.3m) in 1979 out of a total world *business* worth an estimated $75m.

Lloyd's business, pioneered by Cassidy Davis, the underwriter which still handles the bulk of London K and R cover, has since fallen to about $40m. Some of the large U.S. insurance companies — American International, Republic Insurance and Chubb Corporation—also write this business.

The basic K and R policy has become more sophisticated and grown into far-reaching anti-disruption cover. Many insured companies say they can afford to pay a ransom, but they want cover against loss of profits and disruption to their business.

Cassidy Davis argues that K and R insurance does not increase the risk of kidnap or encourage the terrorist criminal. The company says it is sensitive that it must not be seen either to let crime increase, cause more people to become victims, let kidnappers extract more money or impede the law *enforcement* agencies.

To achieve this, policyholders are forbidden to disclose that they are insured against kid*napping. If they do,* the policy is invalidated. Files are coded so that only the lead underwriter knows the identity of the insured.

In the event of a claim the underwriter does not make a payment directly to a terrorist or kidnapper. *The family* or company has to act as though they are uninsured, selling personal belongings or assets to raise the money to meet *a ran*som demand.

The insurance policy may not be used to raise a bank loan to fund a ransom payment. The underwriter will not provide cover beyond the value of the *insured's* assets.

Cassidy Davis says it also requires the police to be informed of a kidnap. The company says it would not write cover in countries where ransom payments are banned.

were as far as the industry

However, if these precautions went, it might *still be open to* the charge that if not actually encouraging the crime it was at least passively accepting its existence. In the mid-1970s, therefore, Hogg Robinson, a leading insurance broker, decided to establish Control Risks, a specialist consultancy, to advise clients how to avoid the kidnap threat.

Control Risks has a number of smaller UK rivals. In the U.S., Ackerman and Palumbo, the Miami-based firm, provides a *similar service.*

Control Risks, which is now an independent company, can field a team of 30 specialists, most with a military or police background, to deal with extortion attempts. It has handled more than 140 cases since it was established.

It provides an information service to its clients on the likely terrorist threat in different countries. It also gives detailed security advice to companies operating abroad on how to monitor a threat, and *helps them* develop a contingency plan for executives if they or a colleague were kidnapped.

If prevention fails, Control Risks will advise the family or company on how to conduct the negotiations for the release of the victim.

Control Risks says its data shows that most kidnap victims are uninsured and that they also pay the *largest ransoms. This,* the company argues, is because they have not taken professional advice on how to reduce the threat or how to handle ransom negotiations.

Banning K and R insurance or *forbidding* the payment of ransoms would *prove* ineffective, it says. Relatives would rather go to prison than accept a ban on dealing *with* kidnappers. Even if the kidnapper failed to get his ransom and killed his victim, this would merely reinforce the threat in any subsequent kidnap attempt.

APPOINTMENTS

New head for Satra (GB)

LADA CARS has appointed Mr Martin Austin as managing director of Satra (GB). He will be based at Lada Cars UK headquarters at Bridlington, North Humberside.

★

Mr Colin Jones is the new manager of the Cannon Street branch of LLOYDS BANK, succeeding Mr Graham Peck who has become the manager of the Threadneedle Street branch. Mr Jones has been chief manager, business advisory service, for the past two years.

★

Mr Dominic Du Vallon Lohan joins the sale and purchase department of OCEAN McGREGOR, shipbroking subsidiary of Ocean Transport and Trading on March 12. He was formerly responsible for the shipbroking activities at Greig, Middleton (Shipbroking).

★

Mr T. I. Grimshaw has been appointed group joint managing director of MARSH FERN & CO., Stockport.

★

The practice of A. H. S. Waters and Partners, Birmingham, specialising principally in public health and water-related projects, has joined the Mott, Hay & Anderson Group. The work of the former partnership will be undertaken by a newly-formed unlimited liability company retaining the name of A. H. S. WATERS & PARTNERS. Mr A. J. Waters, Mr A. A. Waters Mr T. A. Goddard and Mr J. A. Turnbull have been appointed directors of the new company. Mr P. G. Stanley becomes a consultant together with Mr D. N. Rogers and Mr J. D. Cargill. Mr J. B. Kirby and Mr K. J. White are appointed technical directors, with Mr W. E. B. Amos, Mr G. H. Cash and Mr W. M. Waterson as associates. Mr A. J. Waters and Mr A. A. Waters are also appointed directors of Mott, Hay & Anderson.

★

Mr John C. W. Roberts, chairman of C. P. Roberts and Co., has been elected president of the London region of the BUILDING EMPLOYERS CONFEDERATION. Mr George W. Hammond, managing director of Hammond and Miles, was elected senior vice president.

★

Mr Michael Bowers has been appointed managing director of STONERS BUILDINGS, Crawley. Mr John Blomfield will continue as chairman until his retirement in 1986. Mr Bowers joined the company in 1977.

★

Following restructuring of the TI packaging companies Mr Reg Bishop is now managing director of the holding company TI Packaging, succeeding Mr Frank *Denning,* who retired *in* April last year. Mr Bishop is also chairman and managing director of several other TI companies. *Mr John Downing is managing* director of TI Packaging Machines.

★

HABITAT MOTHERCARE has appointed *Mr Terry Goddard* as a member of the board with responsibility for investment and administration. He remains group secretary. Mr Chris Turner becomes chief executive of the Habitat Group and Ms Pauline Dora is made president of the Conran Stores Inc.

★

Mr Adrian Mark Seymour Fort has been appointed a director of SMITH ST AUBYN (HOLDINGS).

★

Mr Peter W. G. Tom, managing director of BARDON HILL GROUP has, in addition, been appointed chairman in succession to Mr J. Gregory Tom, who remains a director. Mr Fred Wapples, managing director of Steer Plant Hire has been appointed a director of Bardon Hill Group.

★

Mr Gordon P. Coleclough, who recently retired as regional general manager, Bristol, has been appointed a member of the Bristol regional board of LLOYDS BANK from April 1.

★

Mr John Smith has been appointed a director of PERCY LANE, a subsidiary company of Planet Group.

Contracts and Tenders

Personal

Company Notices

PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION

NOTICE IS HEREBY GIVEN that the 144th Annual General Meeting of the Association will be held in the Armourer's Hall, Armourers & Brasiers' Company, 81 Coleman Street, London *EC2R 5BJ on Wednesday, 3 April* 1985 at 12.30 pm to include the following:

1. Adopt the Report and Accounts for 1984.
2. To re-elect Mr James Edward Alexander Rundell Guinness as a Director of the Association.
3. To re-elect Mr Raymond Percival St. George Cazalet as a Director of the Association.
4. To re-elect Mr Valentine Patrick Fleming as a Director of the Association.
5. To re-appoint Price Waterhouse as Auditors of the Association to hold office until the conclusion of the next Annual General Meeting.

G. W. Stirling
Secretary

11th March 1985

SOFTE

SOCIETE FINANCIERE POUR LES TELECOMMUNICATIONS ET L'ELECTRONIQUE S.A.
UA 40,000,000 8¾% 1979/1989
GUARANTEED BONDS

NOTICE IS HEREBY GIVEN to the holders of the above-mentioned Bonds that the amount redeemable on April 10, 1985, i.e. UA8,000,000 has been bought in the market.

Amount outstanding: UA 32,000,00.

Luxembourg,
March 11, 1985.

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURG

CANADIAN PACIFIC ENTERPRISES LIMITED

DIVIDEND NOTICE

The Board of Directors of Canadian Pacific Enterprises Limited, at a meeting held at Calgary, Alberta, on the 1st day of March, 1985, resolved *that a quarterly dividend of twenty* cents (20¢) Canadian per share on the outstanding Common Shares of the Corporation be and the same is hereby declared payable on April 17, 1985, to shareholders of record at the close of *business* on March 20, 1985

By order of the Board
G. S. MACLEAN
Vice-President Administration and Secretary

Calgary, Alberta, Canada,
March 1, 1985.

REED (NEDERLAND) N.V.

£25,000,000

16¼% Guaranteed Bonds 1989

S. G. WARBURG & CO. LTD., as Purchase Agent, advise Bondholders that no Bonds were purchased for the period 1st March, 1984 to 28th February, 1985.

£25,000,000 nominal Bonds remained outstanding at 1st March, 1985.

33, King William Street
London EC4R 9AS

11th March, 1985

INCO LIMITED
NOTICE OF RECORD DATE

NOTICE IS HEREBY GIVEN that March 19, 1985 has been fixed as the record *date for the determination of the holders* of Common Shares, 7.85% Preferred Shares Series B and the 10% Cumulative Redeemable Commodity-Indexed Preferred Shares Series C, who are entitled to notice of the Annual Meeting of Share*holders* of INCO LIMITED to be *held on* April 24, 1985.

Dated March 11, 1985.

S. M. Hand, Secretary

INCO
INCO LIMITED

Public Notices

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Society will be held in the SOCIETY'S HEAD OFFICE No. 31 ST. ANDREW SQUARE, EDINBURGH on Thursday, 28th March 1985 at 12 noon to consider *the Accounts and Balance Sheet* and Reports of the Directors and the Auditor, to elect Directors, to determine the remuneration to be paid to the Directors and to re-appoint the Auditor.

A Member of the Society entitled to attend and vote at any Annual General Meeting is entitled to appoint another person to attend and vote instead of him. Proxies must be lodged at the Society's Head Office not less than forty-eight hours before the time for holding the Meeting.

By Order of the Board
31 St. Andrew Square, D. A. BERRIDGE
Edinburgh. General Manager

Art Galleries

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PUBLISHED IN LONDON & FRANKFURT

Head Office: The Financial Times Ltd, Bracken House, 10 Cannon Street, London EC4P 4BY. Telex: (Editorial) 8954871. Telex: (Advertising) 885033. Telephone: 01-248 8000. Frankfurt Office: The Financial Times (Europe) Ltd, Guiollettstrasse 54, D-6000 Frankfurt-am-Main 1, West Germany. Telex: 416193. Telephone: 7598-0. Editorial: Guiollettstrasse 54. Telex: 416052. Telephone: 7598-157.

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BUILDING CONTRACTS

£31m for Irish builder

McINERNEY PROPERTIES, Dublin, and its subsidiary and associated companies have successfully tendered for or negotiated over £31m new work. Principal items were: Bin Jabr McInerney, Abu Dhabi, with construction work on electricity sub-station, £1.3m; Azaiba Construction, Oman, building a nine-storey office block, providing 92,000 sq ft (£3.5m) and residential developments in the same area, £3.5m; Thomas McInerney & Co, Dublin, local authority housing contracts comprising 522 houses (£12.6m) and two office blocks at Earlsfort Terrace, Dublin, comprising 61,000 sq ft, £3.4m; Farr Group, Westbury, road by-pass at Ferndown (£5.9m) and other civil engineering contracts, £1.7m.

Spread of work for A. Monk

Building and civil engineering work valued at £15.6m has been awarded to A. MONK & CO: £5.166m at Manchester International Airport, for the City of Manchester, extensions to Pier C; £2.62m at Barton Mills, near Bury St Edmunds, for the Department of the Environment, construction of two miles of two-lane carriageway; £2.11m at Barry Island, for Associated British Ports, design and construction of store sheds and ancillary buildings; £1.799m in North Humberside, for the Yorkshire Water Authority, construction of a new wave wall and strengthening of existing structures to provide flood alleviation from the River Humber; £0.738m at Begley Beck, near Leeds, for the City Council, involving flood alleviation work; £1.077m at Crownhill, Milton Keynes, for the Development Corporation, construction of 26 workshop units; £1.193m at Stanlow, Cheshire, for M. W. Kellog, construction of a blending and filling building; and £0.938m at Earlsheaton, for the Kirklees Metropolitan Council, extensions and alterations to Earlsheaton High School.

★

TILBURY GROUP'S latest batch of contracts totals over £3.6m—£2.7m of this comes from Tilbury's share in a £3.75m joint contract with Drake & Scull for erection and completion of a unit for the mentally ill at Heatherwood Hospital, Ascot. The unit for the Oxford Regional Health Authority, will be partly two-storey and partly three-storey. The job is expected to start at the end of this month and will take two years to finish. Drake & Scull will be carrying out the mechanical services.

Mead wins £26m orders

MEAD CONSTRUCTION has received orders worth £26m. The largest to start this summer, is building a £16.8m town centre development for Gosport, providing a covered shopping centre, leisure halls and facilities, plus a 105-bed hotel, together with housing. Work has started on a Telephone Engineering Centre at Reading for British Telecom costing £1.3m. 208 homes will be built by Mead Construction during the year representing building costs of £6.8m including 108 being constructed for Mead's own development company. Housing contracts include 16 flats for Gosport Borough Council for completion by August and 47 houses and flats to be ready by July for CDS Co-operative Housing Society at Farnham.

Two industrial building contracts totalling £655,000 will be completed during the year for Mead Development. Work is under way at Rodney Road, Fratton, Portsmouth, on the refurbishment of six industrial units and the building of two new ones, and will start shortly on eight new industrial units on the Portsmouth Airport Service Road for completion by August. In addition six industrial units valued at over £200,000 are to be built in Shoreham under a negotiated contract for Leo Cruttenden, a Sussex-based developer.

Laing to build £12m hospital

LAING MANAGEMENT CONTRACTING has been awarded a major hospital contract at Hammersmith. Work starts in May to build a £12m first phase of the hospital redevelopment planned by Hammersmith and Queen Charlotte's Special Health Authority. The new four-storey building is in the centre of the existing complex and the work is to be carried out without affecting the running of the hospital. The hospital will contain two surgical wards with 60 beds, a 36-bed day and short stay ward plus a new 10-bed intensive care unit, eight operating theatres, out-patients department, clinical investigation centre, pharmacy, a sterile supply unit and medical supply unit. The building is of traditional construction, pile foundations, insitu concrete frame and external brick cladding. Main construction work will start on site in September and occupation is due for September 1988.

An £8m scheme to develop Coventry City Centre is one of several contracts awarded to the JOHN LAING GROUP by the city council. The site lies between the existing shopping precinct and the old and new Coventry Cathedrals. Cathedral Lanes, with 32 shops and four restaurants is scheduled to start building next year. The construction contract will be worth about £3.5m.

★

Contracts, totalling nearly £5m, have been awarded to FORD AND WESTON, Derby. The largest, worth £2.5m, is for a superstore for Leicestershire Co-operative Society, in Northfield Avenue, Kettering, due to open in October. The 48,000 sq ft single-storey premises are being built in 39 weeks on a 10½-acre site. Features include parking for 300 cars and a petrol station forecourt. Other work includes a 30-week contract, worth £1.2m, for a 62,000 sq ft single-storey factory and offices for Poldrait Textiles, of Earl Shilton, Leicestershire, and a shopping centre, worth over £1.2m, fronting Crown Walk and East Street, Derby, for Viking Commercial Estates, of Derby, due for completion at the end of the year.

★

TROLLOPE & COLLS MANAGEMENT has been awarded a £4.4m management fee contract by Lloyds Bank at 39 Threadneedle Street, EC2. The 68-week contract involves refurbishment of the four-storey building built in 1876. An extension is to be constructed and fitted out under a new lead mansard roof. There will be a branch bank at ground level with associated offices on the first floor and offices for senior management on the second and third.

★

J. JARVIS AND SONS has won four contracts totalling almost £4.5m. The largest is a £2.4m refacing project on two multi-storey buildings owned by Manchester University. In Newcastle the company building a £1.1m supermarket for Midas International Properties and in London work has commenced on two sorting office refurbishment schemes for the Post Office together valued at £1m.

Parliamentary business this week

TODAY

Commons: Debate on Opposition motion on record unemployment and the need for new industrial policies.

Lords: Reserve Forces (Safeguard of Employment) Bill, Committee. Companies Consolidation (Consequential Provisions) Bill, consideration of Commons amendments. London Regional Transport (Amendment) Bill (Third Reading). Shipbuilding Bill, Committee. Industrial Development Bill (Third Reading). Appropriation (Northern Ireland) Order. Local Elections (Northern Ireland) Order, motions for approval. Betting, Gaming, and Lotteries (Amendment) Bill, Committee. Debate on Report of the EEC Committee on common fisheries policy. Unstarred question to the Government to define its attitude towards application of UK law to British and United States servicemen in their relations with British civilians.

Select Committee: Public Accounts. Subject: Appropriation Accounts, Northern Ireland, 1983-84. Witnesses: Mr D. Fell, Permanent Secretary, Department of Economic Development; Mr D. Barry, Environment, Northern Ireland. (Room 16, 4.45 pm)

TOMORROW

Commons: Interception of Communications Bill (Second Reading). Motion on the Immobilisation of Vehicles Illegally parked (London Boroughs of Westminster, Kensington and Chelsea) (Continuation) Order.

Lords: National Heritage (Scotland) Bill, Report. Mineral Workings Bill (Third Reading). Motor Vehicles (International Circulations) (Amendment) Order, 1985, motion for approval. Representation of the People Bill (Second Reading).

Select Committees: Transport—Subject: Transport aspects of the 1985 public expenditure White Paper. Witnesses: Departmental officials (Room 17, 4.15 pm). Committee on a Private Bill—Petition against Okehampton by-pass Special Procedure Orders (Room 3, 10.30 am). Statutory Instruments (Room 4, 4.15 pm).

WEDNESDAY

Commons: Motion relating to the Local Government (Prescribed Expenditure) (Amendment) Order.

Lords: Debate on a motion calling attention to the desire of Britain and other western democracies to seek better relations with the Soviet Union and the obstacles which the continued Soviet exploitation of economic and social problems in developing countries and intervention in other countries' internal affairs have placed in the way of this.

Select Committees: Foreign Affairs. Subject: Foreign and Commonwealth Office and Overseas Development Administration Spring Supplementary Estimates 1984-85. Witnesses: FCO officials (Room 6, 10.30 am). Trade and Industry. Subject: Tourism in the UK. Witnesses: British Hotels, Restaurants and Caterers' Association; National Bus Company; British Travel Agents' Association (Room 15, 10.30 am). Energy. Subject: UK gas depletion policy. Witnesses: Dept of Energy officials (Room 8, 11 am). Employment—Subject: Manpower Services Commission's corporate plan 1985-89. Witness: MSC (Room 8, 4.15 pm). Public Accounts. Subject: Control of dockyard supplies. Economy of stores, major projects statement. Witnesses: Sir Clive Whitmore, KCB, CVO; Mr D. H. Perry; Vice-Admiral Sir Anthony Tippett, MoD (Room 16, 4.15 pm). Social Services. Subject: Misuse of Drugs (with special reference to treatment and rehabilitation of misusers of hard drugs. Witnesses: John Patten, Parliamentary Under-Secretary DHSS and officials (Room 21, 4.15 pm). Environment. Subject: Radioactive waste. Witness: UK Atomic Energy Authority (Room 20, 4.15 pm). European Legislation. Subject: Common agricultural policy prices proposals 1985-86. Witness: Rt Hon Michael Jopling, Minister of Agriculture, Fisheries and Food (Room 15, 4.30 pm).

Foreign Affairs. Subject: Foreign and Commonwealth Office and Overseas Development Administration spring supplementary estimates 1984-85. Witnesses: FCO and ODA officials (Room 6, 5 pm).

Joint Committee. Petition against Okehampton by-pass (Room 3, 10.30 am).

Unopposed Bills — Bournemouth Borough Council (Room 9, 4 pm).

THURSDAY

Commons: Estimates Day (until about 7 pm). Consideration of Class IV, vote 5 Industrial Support (Energy Dept), followed by debate on a motion for the adjournment of the House on Command 9447, the Government's observation on the Fifth Report from the Foreign Affairs Committee, session 1983-84, on the Falkland Islands. Proceedings on the Cinemas Bill.

Lords: Hong Kong Bill (Committee). Administration of Justice Bill, Report. Weights and Measures (Solid Fuel) (Carriage by Rail) (Amendment) Order 1985, motion for approval.

Select Committees: Joint Committee—Petition against Okehampton by-pass. Special Procedure Orders (Room 3, 10.30 am).

FRIDAY

Commons: Private members' motions.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Appledore (A. and P.), Connaught Rooms, Great Queen Street, WC, 11.30
CPS Computer, Marble House, Cocksparrow Street, Warwick, 11.00
Granada Group, 36 Golden Square, W, 12.30
Trusthouse Forte, Grosvenor House, Park Lane, W, 11.00
United Scientific, White House Hotel, Regent's Park, NW, 12.00

BOARD MEETINGS
Finals:
Ericsson (L. M.) (Telefonaktiebolaget)
Greggs
Highlands and Lowlands
Low & Bonar
Palcom
TR Pacific Basin Inv Tst
T & S Stores
Interims:
Land Investor
London Shop Property Tst
Microfilm Reprographics
Parker Knoll

DIVIDEND & INTEREST PAYMENTS—
Dart and Kraft Inc 1.06 cts
Ellis and Everard 2.5p
Free State Devpt and Invest Corpn 20 cts
Hampson Inds 0.3p
Houston Inds Inc 62 cts
Johannesburg Cons Invest 88.5460p
Lockheed Corpn 15 cts
Mobil Corpn 55 cts
Moorgate Mercantile 0.45p
Newman-Tonks 3.75p
Rockwell Intl Corpn 25 cts
Squibb Corpn 40 cts

TOMORROW

COMPANY MEETINGS—
Lovell (Y. J.), Ironmongers' Hall, Aldersgate Street, Barbican, EC, 11.30

BOARD MEETINGS
Finals:
Bairstow Eves
Clark (Matthew)
Collins (William)
De Beers Consolidated Mines
Edinburgh Fund Managers
Howtal Whiting
Hong Kong & Shanghai Banking
Kleinwort Benson Lonsdale
Peatos
Taverner Rutledge
Yorkshire Chemical
Interims:
Amber Day

DIVIDEND & INTEREST PAYMENTS
Access Satellite Intnl 1p
Alcan Aluminium 30 cts
CPS Computer Group 0.7p
Citicorp Overseas Finance Corpn NV Gtd Fltg Rate Notes 1994 $24.22
Korea Exchange Bank Fltg Rate Notes 1999 $637.9
Monsanto 57.5 cts
Nedlloyd Finance BV Fltg Rate Notes 1993 $2,421.88
Palmerston Investment Trust 1p
Tenneco Inc 73 cts
Winterbottom Energy Trust 1.35p

WEDNESDAY MARCH 13

COMPANY MEETINGS—
Ashdown Investment Trust, 120 Cheapside, EC, 4.00
Blundell-Permoglaze, Connaught Rooms, Great Queen Street, WC, 12.00
Hunterprint Group, Ironmongers' Hall, Aldersgate Street, Barbican, EC, 2.45
KLP Group, Ironmonger's Hall, Shaftesbury Place, EC, 12.00
London Scottish Finance, St James's House, Charlotte Street, Manchester, 12.00
Lookers, Lancashire County Cricket Club, Talbot Road, Stretford, Manchester, 12.00
Pratt (F.) Engineering, Park Works, Halifax, Yorkshire, 12.00
Standard Securities, Brown's Hotel, W, 12.00

BOARD MEETINGS
Finals:
Bestwood
Fisher (J.)
Guest Keen & Nettlefolds
Hewitt (J.) (Fenton)
Invergordon Distillers
Lowe Howard-Spink Campbell-Ewald
Sandvik Aktiebolag
Ultramar
United Biscuits
United States Debenture Corp
Interims:
Belam
Breville Europe
Fletcher Challenge
Lawtex
Refuge
Victor Products
Wolseley-Hughes

DIVIDEND & INTEREST PAYMENTS—
Hydro-Quebec 12.75pcLn 2015 6.375pc

THURSDAY MARCH 14

COMPANY MEETINGS—
Bett Bros, 9 Cox Street, Dundee, 12.00
Cambridge Water Co, 41 Rustat Road, Cambridge, 4.30
Charter Trust and Agency, 20 Fenchurch Street, EC, 12.45
Kershaw (A.) and Sons, 6 Connaught Place W, 10.00
Rank Organisation, Confederation of British Industry Headquarters, Centre Point, New Oxford Street, WC, 12.00
Rayford Supreme, Butchers' Hall, 87 Bartholomew Close, Smithfield, EC, 12.00
Talbex Group, Cafe Royal, 68 Regent Street, W, 12.00
Wilkinson's Consolidated, Cheapside House, 138 Cheapside, EC, 12.00

BOARD MEETINGS
Finals:
Applevards
Clarke (T.)
Law Debenture
Needlers
New London Properties
Rowntree Mackintosh
Royal Dutch Petroleum
Sedgwick
Sharpe & Fisher
Shell Transport & Trading
TI
Transport Development
Interims:
Coronation Syndicate
Harrisons Malaysian Plantations
Jarvis (J.)
Mucklow (A. & J.)
Tweefontein United Collieries

DIVIDEND & INTEREST PAYMENTS—
Fuqua Overseas Finance NV Gtd Fltg Rate Notes 1987 $322.09
Investors in Industry 12½pcLn 1992 6.25pc
London Scottish Finance Corpn 1.9p

FRIDAY MARCH 15

COMPANY MEETINGS—
Burco Dean, Piccadilly Hotel, Manchester, 12.00
County Properties, Royal York Hotel, York, North Yorkshire, 12.00
Drayton Far Eastern Trust, 11 Devonshire Square, EC, 12.00

BOARD MEETINGS
Finals:
Camellia Investments
House Property Co of London
Macallan-Glenlivet
Interims:
Celtic Haven
Mitchell Cotts
Pifco
Waring & Gillow

DIVIDEND & INTEREST PAYMENTS—
AMF Inc 12.5 cts
ASR Hldgs 3.5p
Arbuthnot Yen Bond Fund Y3.0
BICC 6½pcDb 1981-86 3.25pc, 7pcDb 1985-90 3.5pc
Bett Bros 1.9p
Border and Southern Stockholders Trust 5pc1stDb 1985-90 2.5pc
British Guiana 5pc 1980-85 2.5pc
CSX Corpn 0.26 cts
Conversion 12pc 1995 6pc
Cummins Engine Inc 55 cts
Dana Corpn 32 cts
Dom Hldgs 1.725p
Dover Corpn 20.5 cts
Edinburgh Invest Trust 3.65pcPfd 1.825p
Elandsrand Gold Mining 15.88924p
FPL Group 47 cts
Finance Variable Rate 1985 £3.82, 14½pc Ln 1998-2000 7.25pc
Ford Motor 2.5 cts
Funding 6pcLn 1993 3pc
Gartmore American Secs 11½pcDb 2014 2.929 cts
Habit Precision Engineering 1p
Hutton (E. F.) Inc 20 cts
Louisiana Land and Exploration 25 cts
Lucas Inds 7¾pcLn 1983-88 3.875pc
Midsummer Inns 2p
Monks Invest Trust 3¾pcDb 1980-85 1.875pc
National 14pcLn 1985-90 7pc
Newmark (Louis) 4.5p
Owens-Illinois Inc 42 cts
Parana (State of) Brazil 7pcBds 3.5pc
Pennzoil 55 cts
Province de Quebec 12¼pcLn 2020 6.125pc
Redfearn National Glass 10½pcDb 1992-1997 5.25pc
Sandvik Aktiebolag 6½pcCnv 62.5 cts
Sea Containers 36.5625 cts
Smith (David S.) 1p
South African Land and Exploration 20 cts
Southvaal Hldgs 220 cts
Stewart Plastics 0.88p
Stockport (Met Borough of) 12¼pc 1985 6.125pc
Swensk Exportkredit AB 15¼pc Notes 1989 $60.96
Sweden (Kingdom of) 13½pcLn 1986 6.75pc
TRW Inc 75 cts
Time Inc 0.25 cts
Treasury 9pcLn 1992-96 4.5pc
Vaal Reefs Exploration and Mining 740 cts
Western Board Mills 1p
Western Deep Levels 265 cts

SATURDAY MARCH 16

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage Corpn 9½pcDb 1983-86 4.75pc, 7¼pcDb 1991-93
Treasury 2pc Index-Linked 1996 £1.31

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current
Daily Mail Ideal Home Exhibition (01-222 9431) (until March 31) — Earls Court
Glass and Glass Technology Exhibition — GLASSEX (0378 77966) (until March 13) — NEC, Birmingham

March 11-14
International Floorcoverings Exhibition (02432 5537) — Olympia

March 12-15
Tunnelling '85 International Exhibition (01-572 2121) — Met. Exhibition Hall, Brighton

March 16-19
British Designer Show (01-385 1200) — Olympia

March 19
Roofex: Roofing, Cladding and Insulation Exhibition (0322 77788) — Albany Hotel, Glasgow

March 21
Roofex: — Grosvenor Hotel, Edinburgh

March 26-28
The Eighth European Information Technology and Office Automation Exhibition (01-647 1001) — Olympia

March 26-28
Computer Aided Design Exhibition (01-643 8040) — Met. Exhibition Hall, Brighton

March 27-29
Commercial Motor Accessories and Equipment Exhibition (01-643 8040) — Wembley Conference Centre

April 1-3
Papermaking International Exhibition and Conference—PAPEX (0892 44027) — Exbn. Centre, Harrogate

April 10-12
London Book Fair (01-229 1825) — Barbican Centre

April 11-17
British International Antiques Fair (021-780 4171) — N.E.C., Birmingham

April 15-19
International Fire and Security Exhibition and Conference; and International Saftey and Health Exhibition (01-387 5050) — Olympia

April 22-26
Building Industry Convention Exhibition (088385 2051) — Met Exbn. Hall, Brighton

OVERSEAS TRADE FAIRS

Current
International Motor Show (until March 17) — Geneva

March 11-14
Middle East Oil Show (01-486 1951) — Bahrain

March 12-14
Semicon Europa Electronics Show (01-353 8807) — Zurich

March 16-20
Second Arabgas Technology Exhibition and Conference (01-487 2622) — Dubai

March 19-23
International Printing and Packaging Machinery and Materials Exhibition — PRINTING AND PACKAGING INDONESIA (01-486 1951) — Jakarta

March 22-27
International Travel Exhibition (021-705 6707) — Budapest

April 2-4
Unix Systems Exhibition (Hardware and Software) (0763 73039) — Paris

April 2-6
Second International Exhibition for Wire, Cable and Optical Fibre Industries (0727 63213) — Tokyo

April 11-21
International Household Fair (01-437 2175) — Amsterdam

April 16-20
Surface Treatment and Industrial Finishing Exhibition (01-439 3964) — Paris

April 17-23
International Consumer Goods Fair (021-455 9600) — Brno

BUSINESS CONFERENCES

March 11-12
Euromoney International Financial Law Conference (01-236 3288) — Intercontinental Hotel, W1

March 13
PRCA: Industrial and Technical Public Relations (01-245 6444) — Waldorf Hotel, WC2

March 13
Health Services Supply Council/Association of National Health Services Supplies' Officers: Choosing priorities for NHS high-technology medical equipment (0272 423271) — Olympia

March 14
Chatham House: Japanese management style and the experience of European affiliates in Japan (01-930 2233) — St James's Square, SW1

March 17-19
Metal Bulletin's Fourth International Iron Ore Symposium (01-633 05025) — Sheraton Hotel, Rome

March 19-20
FT Conference: Cable television and satellite broadcasting (01-621 1353) — Royal Lancaster Hotel, W2

March 20
European School of Management Studies: Excellence exemplified—a European perspective (0865 727677) — Wolfson College, Oxford

March 20-22
Seatrade Conferences: Money and Ships in the City 85 (01-623 71500) — Barbican Centre

March 22-24
National Federation of Self-Employed and Small Businesses Annual Conference and Business Exhibition (01-520 7652) — Kensington Town Hall

March 25-26
Euromoney: The Eurobond market in 1985 (01-236 3288) — Dorchester Hotel, W1

March 25-26
FT Conference: Private health care conference (01-621 1355) — Intercontinental Hotel, W1

March 27
Macfarlane Conference: Financial marketing winners '85 (01-437 8287 — Connaught Rooms, WC2

April 1-2
FT Conference: The FT Euromarkets in 1985 Conference (01-621 1355) — Intercontinental Hotel, W1

April 10
The Industrial Society: Successful communication to employees (01-839 4300) — 3 Carlton House Terrace, SW1

April 11-12
British Institute of International and Comparative Law: Whither Antartica? The regulation of activities in the region (01-636 5802) — Institute of Education, WC1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Closing prices, March 8

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16⅛	AAR	.48	2.4	16	19	20⅜	20	20⅜	+⅛
23	9⅜	AGS			11	12	15	14⅞	15	
18⅛	11	AMCA				13	11⅝	11½	11½	
17⅞	13⅛	AMF	.50	3.0	37	288	16⅝	16⅜	16½	
43¼	24¼	AMR			9	3211	40⅛	39⅛	39⅜	−½
20⅜	18¼	AMR	pf2.18	11.		546	20¼	19⅞	20⅛	−⅛
25⅞	22⅞	ANR	pf 2.67	11.		280	25⅜	25⅛	25⅛	+⅛
14¼	8½	APL			3	18	10⅝	10½	10½	−¼
69¾	44⅜	ASA	2	4.3		391	47⅞	47	47	−¼
27	16	AVX	.32	1.4	14	225	23⅛	22¾	23	
50⅛	36¾	AbtLab	1.20	2.5	15	2144	49¼	48⅝	48¾	+⅛
25⅞	16½	AccoWds	.44	1.9	19	196	24⅛	23½	23¾	−⅛
22½	12½	AcmeC	.40	2.3		21	17½	17½	17½	−⅛
10¾	8¼	AcmeE	.32b	3.2	12	9	9⅞	9¾	9⅞	
17⅜	15	AdaEx	2.11e	13.		42	16½	16⅜	16⅜	−⅛
20	11⅞	AdmMl	.32	1.9	7	161	18⅝	17¼	17¼	−1⅝
19½	8⅝	AdvSys	.61t	7.0	19	36	11⅝	11⅝	11½	+⅛
41⅛	25⅛	AMD			13	3343	32⅜	31¾	32	+¼
12¾	6⅞	Advest	.12	1.1		134	11	10⅝	10⅞	−⅛
14⅝	8¾	Aerflex			13	118	13¾	13½	13½	−⅛
42⅝	27¼	AetnLf	2.64	6.5	39	2478	41⅛	40⅜	40¾	+½
58¾	52⅜	AetL	pf5.83e	11.		z211	54¾	54	54¾	+⅜
32⅛	15¾	Ahmns	1.20	4.1	17	2846	29⅝	28½	29⅝	+1⅜
4⅞	2⅝	Aileen			22	4	2⅞	2¾	2⅞	+⅛
51	38⅝	AirPrd	1.20	2.4	11	312	49⅜	48⅞	49	−¼
24⅜	13	AirbFrt	.60	2.6	12	10	23⅛	22¾	22¾	−½
2	⅞	AlMoa	5		23	318	1⅝	1½	1⅝	
32	26¾	AlaP	pfA3.92	13.		8	31	30¾	31	
7½	6	AlaP	dpl.87	12.		23	7⅜	7¼	7¼	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 21

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, March 8

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 22

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 20

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
6⅝	3⅛	Wurltzr			3	3¾	3¾	3¾		
18½	10¾	WyleLb	.32	2.3	11	83	14⅛	14	14⅛	−⅛
21⅞	16¾	Wynns	.80	2.8	8	55	21⅝	21⅜	21⅜	−⅛
X Y Z										
48¼	33¼	Xerox	3	6.7	18	2240	44¾	44⅜	44⅝	
51⅜	45¼	Xerox	pf5.45	11.		14	49⅝	49½	49½	−⅛
30	24	ZaleCp	1.32	4.5	9	39	29½	29⅛	29½	+⅛
24⅞	14½	Zapata	.84	6.0	16	1583	14⅜	d13¾	14	−½
58	30	Zayre	.40b	.7	14	254	55¼	54½	55	−¼
31¼	18⅛	ZenithE			7	3005	22	20¾	20¾	−1¼
21⅞	14⅜	Zero	s		19	59	21⅛	20½	20⅝	−⅜
31⅜	21⅛	Zurnin	1.32	4.4	11	76	29⅞	29⅝	29¾	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

OVER-THE-COUNTER

Nasdaq national market, closing prices, March 8

Continued on Page 23

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 21

CANADA

TORONTO

Closing prices March 8

MONTREAL

Closing prices March 8

AUSTRIA

1984/85 High	Low	Mar. 8	Price %
243	202	Credit'stalt Pfd..	243
488	318	Goesser	480
510	381	Interunfall	510
253	203	Laenderbank	235
448	300	Perlmooser	412
176	139	Steyer—Daimler.	175
409	206	Veitscher Mag	386

DENMARK

1984/85 High	Low	Mar. 8	Price Knr. %
362	216	Andelsbanken	297
720	510	Baltic Skand	640
350	207	CopHandelsbank	288
850	460	D. Sukkerfab	546
335	205	Danske Bank	281
1,900	950	De Danske Luft..	1,245
218	129	East Asiatic	172
7,250	720	Forenede Brygg.	835
153	65	Forenede Damp.	95
700	352	GNT Hldg	424
725	340	I.S.S.B.	415
760	443	Jyske Bank	535
3,150	1,200	Novo Ind.	1,570
272	205	Privatbanken	246
370	280	Provinsbanken	312
300	200	Smidth (F)	225
1,375	845	Sophus Berend	980
588	404	Superfos	490

FRANCE

1984/85 High	Low	Mar. 8	Price Frs.
1,999	1,545	Emprunt 4½% 1973	1,650
10,020	7,365	Emprunt 7% 1973	7,610
276	202	Accor	275.8
635	497	Air Liquide	629
605	375	BIC	561
1,995	1,415	Bongrain	1,759
836	560	Bouygues	639
2,885	2,250	BSN Gervais	2,400
1,334	1,012	CIT Alcatel	1,253
1,970	1,005	Carrefour	1,955
1,261	774	Club Mediter	1,220
618	427	Cie Bancaire	581
270	207	Cofimeg	265.5
2,448	2,170	Damart	2,315
1,265	780	Darty	1,265
941	585	Dumez S.A	602
598	488	Eaux (Cie Gen.)	553
278	179	Elf-Aquitaine	242
3,020	2,195	Essilor	2,950
792	537	Gen.Occidentale.	767
97.4	63.9	Imetal	94.9
439.8	300	Lafarge-Coppee	439.8
2,600	2,101	L'Oreal	2,400
2,340	1,778	Legrand	2,135
357	148	Maisons Phenix	214.6
2,050	1,300	Matra S.A.	1,650
1,084	725	Michelin B.	910
2,315	1,372	Midi (Cie)	2,240
2,005	1,315	Moet-Hennessy	1,989
140.5	89.8	Moulinex	112.5
81.6	43.7	Nord Est	79.6
845	662	Pernod Ricard	720
574	455	Perrier	537
313	184.5	Petroles Fra.	270.8
290.5	179.5	Peugeot S.A.	279
206.5	130.2	Printemps (Au.)	204.9
410	196.2	Radiotech	269.2
1,340	1,030	Redoute	1,280
1,710	726	Roussel-Uclaf	1,641
324	235	Sefimeg	320.4
2,090	1,180	Skis Rossignol	2,000
2,440	1,470	Telemech Elect.	2,400
507	239	Thomson (CSF)	495
358	205	Valeo	233.1

GERMANY

1984/85 High	Low	Mar. 8	Price Dm
118	80	AEG-Telef	112
1,073	607.5	Allianz Vers	1012xr
212.9	146.5	BASF	212.7
226	152.2	Bayer	226
340	247	Bayern-Hypo	312
358	287	Bayern-Verein	323
316	219	BHF-Bank	259.5
453	290.0	BMW	388
247.5	187.5	Brown Boveri	215
190	136.5	Commerzbank	165.6
141.4	107.4	Conti Gummi	135.2
691	516	Daimler-Benz	691
418	338	Degussa	355
192.6	136.5	D'sche Babcock.	169
423	302.1	Deutsche Bank	422.5
193.5	134.0	Dresdner Bank	187xr
172.8	126.5	GHH	154.5
623	450	Hochtief	469
212.5	155.5	Hoechst	212.5
132.6	87.5	Hoesch Werke	110.2
466	349	Holzmann (P)	398
203	151	Horten	172
312	210	Husael	290.0
283	206	Karstadt	213
269.8	188	Kaufhof	213.5
284.5	212	KHD	253.5xr
82.1	47.9	Kloeckner	79
435	336	Linde	418
197.3	133	Lufthansa	197.3
169.5	125	MAN	160.5
160.7	131.3	Mannesmann	158.4
605	449	Mercedes Hld	605
250	200	Metallgesell.	244.5
1,399	910	Muench Rueck	117.5
648	458	Nixdorf	544.5
1379	918	Porsche	1378
288	216.5	Preussag	265
188.8	125.5	Rhein West Elect	152
291	238	Rosenthal	242
483	317	Schering	471
563.8	353.5	Siemens	551
103.5	69.3	Thyssen	101.5
198	160	Varta	182.8
185	159.5	Veba	169.8
127.9	108.5	V.E.W	122
335	285	Verein-West	312
231.8	168	Volkswagen	199.5

NORWAY

1984/85 High	Low	Mar. 8	Price Kroner
190	140	Bergens Bank	169.5
435	215	Borregaard	380
190	139	Cristiania Bk	144
188.5	142	Den Norsk Credit	166
187.5	102	Elkem	146
211	152.5	Kvaerner	175
440	252	Norsk Data	417
137.5	95	Norsk Hydro	106
272.5	172	Storebrand	257.0

ITALY

1984/85 High	Low	Mar. 8	Price Lire
20,500	14,100	Banca Com'le	18,500
195	89	Bastogi IRBS	194
3,900	2,935	Beni Invest Risp.	3,600
3,530	1,418	Centrale	3,360
4,800	3,511	Credito Varesino	4,810
4,625	1,675	Fiat	2,948
59	27	Finsider	55.2
44,500	29,050	Generali (Assc.)	40,850
84,960	40,500	Italcementi	84,960
697	345	La Rinascenti	688
1,583	1,112	Montedison	1,479
7,060	3,865	Olivetti	6,820
4,690	2,464	Pirelli Co	4,565
2,395	1,419	Pirelli Spa	2,250
2,975	1,336	Snia BPD	2,925
16,889	10,750	Toro Assic	14,600
12,790	8,060	do. Pref	11,050

NETHERLANDS

BELGIUM/LUXEMBOURG

AUSTRALIA

1984/85 High	Low	Mar. 8	Price Aust. $
5.93	4.27	ANZ Group	4.55
1.09	0.50	Alliance Oil Dev.	1.05
2.11	1.40	Ampol Pet.	1.83
1.05	0.75	Ashton	0.93
2.0	1.65	Aust. Cons. Ind.	1.92
3.4	2.35	Aust Guarantee	2.55
2.72	1.90	Aust. Nat. Inds.	2.52
2.6	1.80	Aust. Paper	2.5
6.40	3.90	Bell Group	6.3
8.90	3.50	Bell Res.	5.7
1.72	1.15	Bond Corp Hldgs	1.48
4.00	3.02	Boral	3.29
2.72	1.42	Bougainville	1.88
3.93	2.60	Brambles Ind.	3.5
4.62	2.05	Bridge Oil	2.15
6.08	4.80	B.H. Prop.	5.56
6.20	4.46	CRA	5.7
4.05	2.45	CSR	3.75
5.56	4.08	Castlemaine Tys	4.75
4.24	3.30	Coles (C.J.)	3.7
3.22	2.00	Comalco "A"	2.6
1.30	0.37	Consolidated Pet	0.48
1.6	1.10	Costain Aust.	1.6
2.35	1.45	Dunlop Aust.	2.18
3.53	2.33	Elders IXL	3.15
1.80	1.30	Energy Res	1.5
2.40	1.85	Gen. Prop. Trust	2.16
3.95	2.88	Hardie (James)	3.05
3.3	1.90	Hartogen Energy	2.2
4.55	2.95	Herald W'y Times	4.0
2.35	1.75	ICI Aust	1.9
0.48	0.18	Jimberlana F.P.	0.25
0.20	0.1	Kiaora Gold	0.12
6.5	4.50	Lend Lease	5.9
3.98	2.22	MIM	2.6
4.86	2.12	Mayne Nickless	3.2
2.15	1.59	Myer Emporium.	1.75
3.92	3.00	Nat. Aust. Bank	3.5
13.25	8.0	News	13.1
2.1	1.29	Nicholas Kiwi	2.1
3.57	1.90	North Bkn Hill	2.3
1.11	0.61	Oakbridge	0.74
4.48	0.9	Pancont'l	1.3
2.09	1.1	Pioneer Conc.	1.6
5.10	2.5	Posiedon	3
1.45	0.94	Queensland Coal	1.4
3.55	2.4	Reckitt & Coln	3.4
1.40	1.06	Repco	1.18
8.20	5.14	Santos	5.3
4.40	3.20	Smith (Howard)	3.95
2.48	1.53	Thos. Natwide	1.85
5.9	4.98	Tooth	5.8
4.05	2.55	Vamgas	3.4
4.45	2.60	Western Mining	3.55
4.08	3.37	Westpac Bank	3.57
1.35	0.78	Woodside Petrol.	0.78
3.65	2.2	Woolworths	3.22
3.82	3.15	Wormald Intl	3.18

SWEDEN

1984/85 High	Low	Mar. 8	Price Kronor
410	330	AGA	380
302	170	Alfa-Laval	185
480	280	ASEA (Free)	315
540	300	Astra (Free)	360
141	95	Atlas Copco	105
531	205	Cardo (Free)	250
192	114	Cellulosa	122
317	215	Electrolux B	317
390	244	Ericsson	272
390	250	Esselte	370
375	218	Mo Och Domsjo.	233
247	153	Pharmacia	213
609	310	Saab Scania Free	420
425	310	Sandvik	400
425	257	Skandia	295
75	50.0	Skan Enskilda	51
222	154	SKF	203
197.5	137	St. Kopparbergs	137
237	165	Sven Handelsbn.	165
380	215	Swedish Match	228
303	189	Volvo B (Free)	297

SINGAPORE

1984/85 High	Low	Mar. 8	Price $
3.14	1.5	Boustead Hldgs.	1.79
3.14	2.42	Cold Storage	2.75
10.70	4.98	DBS	6.25
6.00	4.62	Genting	5.9
2.91	1.88	Haw Par. Bros	2.52
4.74	2.87	Hong Leong Fin.	3.24
3.65	2.31	Inchcape Bhd	2.68
3.66	1.4	Keppel Shipyard	1.82
10.40	5.35	Malay Banking	6.3
3.32	2.2	Malay Utd. Int.	2.51
2.27	0.89	Multi Purpose	1.03
11.80	8.5	OCBC	9.65
5.05	3.04	OUB	4.0
2.53	1.62	Public Bank	1.69
2.87	1.53	Sime Darby	2.04
6.85	5.7	Singapore Press.	6.35
6.95	4.22	Straits Trdg	4.62
3.99	2.65	Tat Lee Bk.	2.84
5.90	4.12	UOB	4.6

SWITZERLAND

1984/85 High	Low	Mar. 8	Price Frs.
928	660	Ausuisse	890
4,590	3,360	Bank Leu	3,715
1,775	1,240	Brown Boveri	1,740
3,120	2,085	Ciba-Geigy	3,065
2,425	1,655	do. (Part Certs)	2,425
2,440	2,040	Credit Suisse	2,420
2,820	2,290	Elektrowatt	2,715
773	590	Fischer (Geo)	768
112,250	85,000	Hoff-Roche PtCts	89,000
10,900	8,500	Hoff-Roche 1/10.	8,925
6,825	5,725	Jacobs Suchard	6,275
2,020	1,700	Jelmoli	1,930
1,710	1,290	Landis & Gyr	1,705
6,610	4,665	Nestle	6,580
1,546	1,030	Oer-Buehrle	1,470
307	243	Pirelli	307
8,125	6,450	Sandoz (Br)	8,100
1,420	940	Sandoz (Pt Cts)	1,420
820	460	Schindler (Pt Cts)	790
4,010	810	Sika	1,120
4,345	3,410	Surveillance.	4,250
1,180	900	Swissair.	1,160
373	309	Swiss Bank	367
9,650	7,050	Swiss Reinsce	9,500
1,590	1,320	Swiss Volksbk.	1,485
3,720	3,150	Union Bank	3,640
3,830	2,770	Winterthur	3,800
20,650	16,550	Zurich Ins	20,550

SOUTH AFRICA

1984/5 High	Low	Mar. 8	Price Rand
3.2	1.15	Abercom	1.22
9.75	6.55	AE & CI	6.55
66	44	Allied Tech	46
45	23.4	Anglo Am. Coal	42.5
26.65	19.75	Anglo Am Corp	22.65
188	127	Anglo Am. Gold	160.5
23.5	13.75	Barclays Bank	14.15
14.95	9.60	Barlow Rand	9.65
88.5	55.8	Buffels	68.15
3.6	1.7	CNA Gallo	2.30
5.5	3.1	Currie Finance	3.5
10.9	8.14	De Beers	9.07
56.5	36.5	Driefontein	48.75
61	23	FS Geduld	42
33.3	22.5	Gold Fields S.A	29.25
6.5	3.60	Highveld Steel	3.90
17.75	8.9	Nedbank	8.90
21.8	12.6	OK Bazaars	12.75
3.80	1	Protea Hldgs	1.2
52	20	Rembrandt	31.25
17.4	12.65	Rust Plat	15.35
15.75	11.75	Safren	12.60
9.5	6.5	Sage Hldgs	6.55
7.9	5.6	SA Brews	6.88
26.75	17.8	Smith (C.G.)	19.50
13.00	5.60	Tongaat Huletts.	5.50
5.90	4.00	Unisec	4.70

SPAIN

1984/5 High	Low	Mar. 8	Price Pta %
368	252	Bco Bilbao	340
375	278	Bco Central	315
223	193	Bco Exterior	200
264	157	Bco Hispano	159
421	224	Bco Popular	375
348	267	Bco Santander	346
188.5	120	Dragados	171.5
95.2	41.2	Hidrola	80.5
109.5	40.5	Iberduero	92.5
185	102	Petroleos	156.7
135.7	69.7	Telefonica	125.0

HONG KONG

1984-85 High	Low	Mar. 8	Price H.K.$
29.7	17.8	Bank East Asia	22.5
14.5	6.15	Cheung Kong	13.7
15.1	7.5	China Light	14.1
4.35	1.15	Evergo	1.47
49.25	25.9	Hang Seng Bank.	47
8.05	5.05	HK Electric	7.5
6.7	2.75	HK Kowloon Wh.	5.55
5.26	2.02	HK Land	3.1
9.3	5.2	HK Shanghai Bk.	8.8
72	35.5	HK Telephone	72
21.4	8.4	Hutchison Wpa	20.5
14.4	5.5	Jardine Math	9.65
6.05	2.25	New World Dev	5.85
2.87	1.95	Orient O'seas	2.4
4.0	2.02	O'seas Trust Bnk	2.8
9.7	4.12	SHK Props.	9.05
2.60	1.44	Shell Elect.	1.67
25.6	12.9	Swire Pac A.	22.1
6.3	2.65	TV-B	5.85
7.4	2.85	Wheel'k Mard A.	7.5
2.3	1.10	Wheel'k Maritme	1.10
2.6	1.37	World Int. H'ldgs	1.92

JAPAN

1984/85 High	Low	Mar. 8	Price Yen
1,270	980	Ajinomoto	1,090
2,860	1,830	Alps Electric.	2,320
1,410	985	Amada	1,190
880	405	Asahi Chem	811
928	655	Asahi Glass	878
663	516	Bridgestone	520
1,670	1,070	Canon	1,450
2,060	1,080	Casio Comp.	1,970
1,190	940	Chugai Pharm	1,070
709	446	Citizen	562
737	620	Daiei	621
1,180	875	Dai Nippon Ptg	1,040
610	435	Daiwa House	550
391	307	Ebara	370
2,280	966	Eisai	2,080
13,680	7,385	Fanuc	13,100
1,680	800	Fuji Bank	1,620
2,310	1,450	Fuji Film	1,880
1,320	752	Fujisawa	1,110
1,540	1,080	Fujitsu	1,330
3,180	1,490	Green Cross	3,180
453	320	Hasegawa	374
684	527	Heiwa Real Est.	590
1,060	855	Hitachi	855
1,930	1,020	Hitachi Credit	1,100
1,650	989	Honda	1,420
899	671	House Food	700
2,870	1,460	Hoya	2,270
380	274	Itoh (C)	330
2,630	1,740	Ito-Yokado	2,360
2,420	1,080	Iwatsu	1,080
404	313	JACCS	385
5,650	2,460	JAL	5,110
884	681	Jusco	681
330	263	Kajima	280
860	660	Kao Soap	825
761	580	Kashiyama	595
625	510	Kirin	569
1,150	870	Kokuyo	900
546	408	Komatsu	440
765	532	Konishiroku	678
343	295	Kubota	320
635	416	Kumagai	510
8,440	5,250	Kyoto Ceramic	6,230
535	380	Maeda Const.	485
1,660	1,080	Makino Milling	1,320
1,320	887	Makita	1,150
415	265	Marubeni	303
700	535	Marudai	555
1,450	980	Marui	980
2,010	1,350	MEI	1,630
791	602	M'ta Elec. Works	754
1,670	500	M'bishi Bank	1,580
589	501	M'bishi Corp	520
449	361	M'bishi Elect	389
606	438	M'bishi Estate	566
273	216	MHI	255
390	321	Mitsui Co.	337
778	589	Mitsui Estate	649
444	334	Mitsukoshi	440
1,040	620	NGK Insulators	1,010
232	191	Nihon Cement	227
1,630	1,300	Nippon Denso	1,440
1,540	1,050	Nippon Elect	1,160
369	280	Nippon Express	339
2,400	600	Nippon Gakki	2,080
162	133	Nippon Kokan	135
1,220	815	Nippon Oil	840
740	490	Nippon Seiko	655
704	500	Nippon Shimpan	525
185	145	Nippon Steel	151
365	304	Nippon Suisan	330
16,500	6,990	NTV	10,910
272	213	Nippon Yusen	240
765	500	Nissan Motor	615
581	410	Nisshin Flour	467
232	155	Nisshin Steel	172
1,190	614	Nomura	1,170
1,430	830	Olympus	1,290
4,180	2,400	Orient Leasing	3,220
3,850	2,240	Pioneer	2,950
760	602	Renown	602
1,190	809	Ricoh	900
1,420	855	Sankyo	1,300
586	446	Sanyo Elect.	480
529	358	Sapporo	408
626	535	Sekisui Prefab	536
9,300	7,270	Seven Eleven	8,700
1,410	991	Sharp	1,050
900	486	Shimadzu	828
770	590	Shionogi	733
1,230	945	Shiseido	1,060
5,020	3,200	Sony	4,600
1,160	670	Stanley	1,000
1,870	500	Sumitomo Bank.	1,790
1,000	746	S'tomo Elect.	915
678	255	S'tomo Marine	613
196	143	S'tomo Metal	148
566	438	Taihei Dengyo	470
258	185	Taisei Corp	205
1,260	871	Taisho Pharm	1,130
915	665	Takeda	862
7,080	4,500	TDK	6,160
464	336	Teijin	435
725	621	Teikoku Oil	654
850	513	Tokyo Marine	814
915	695	TBS	765
1,800	1,040	Tokyo Elect.Pwr.	1,540
188	137	Tokyo Gas	162
864	600	Toyko Sanyo	732
990	690	Tokyo Style	710
368	254	Tokyu Corp	315
915	654	Toppan Print	876
500	382	Toray	448
490	367	Toshiba Elect.	415
734	530	TOTO	653
930	495	Toyo Seikan	850
1,500	1,200	Toyota Motor	1,370
3,400	1,810	Victor	2,890
823	700	Wacoal	705
818	472	Yamaha	790
4,360	1,140	Yamanouchi	3,920
800	606	Yamazaki	628
423	246	Yasuda Fire	415
500	398	Yokogawa Bdge.	420

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 22

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Indices

NEW YORK

DOW JONES

	Mar. 8	Mar. 7	Mar. 6	Mar. 5	Mar. 4	1984-85 High	1984-85 Low	Since Compil'n High	Since Compil'n Low
●Industri'ls	1269.66	1271.55	1280.57	1291.85	1289.55	1293.38 (1/3/85)	1086.57 (24/7)	1293.38 (1/3/85)	41.22 (2/7/32)
H'me Bnds	72.68	72.28	72.59	72.68	72.71	7-.17 (30/1/85)	64.81 (25/6)	—	—
Transport..	615.37	618.58	622.23	628.43	630.20	635.30 (1/3/85)	444.03 (25/7)	635.30 (1/3/85)	12.32 (8/7/32)
Utilities	147.77	148.13	148.39	148.18	148.03	151.16 (15/2/85)	122.25 (15/6)	163.72 (20/4/69)	10.5 (28/4/42)
TradingVol 000†	96.390	112,100	116,940	116,370	102,800	—	—	—	—

●Day's High 1280.81 (1283.24) Low 1264.13 (1265.46)

	Mar. 1	Feb. 22	Feb. 15	year ago(approx)
Industrial div. yield %	4.69	4.77	4.75	4.71

STANDARD AND POORS

	Mar. 8	Mar. 7	Mar. 6	Mar. 5	Mar. 4	1984-85 High	1984-85 Low	Since Comp'n High	Since Comp'n Low
Indust'ls ...	200.25	200.76	202.23	204.14	203.80	205.15 (1/3/85)	187.74 (24/7)	205.15 (1/3/85)	3.62 (30/6/32)
Comp's'te	179.10	179.51	180.65	182.25	182.06	183.35 (13/2/85)	147.82 (24/7)	183.35 (13/2/85)	4.40 (1/6/32)

	Mar. 6	Feb. 27	Feb. 20	year ago (approx)
Industrial div. yield	3.83	3.82	3.81	4.09
Industrial P/E ratio	11.24	11.35	11.34	11.81
Long Gov. Bond yield	11.84	11.83	11.45	12.15

N.Y.S.E. ALL COMMON

Mar. 8	Mar. 7	Mar. 6	Mar. 5	1984-85 High	1984-85 Low
103.82	104.07	104.64	105.47	106.08 (15/2/85)	85.13 (24/7)

Rises and Falls

	Mar. 8	Mar. 7	Mar. 6
Issues Traded...	1,960	1,977	1,990
Rises..............	622	578	564
Falls	857	959	969
Unchanged.......	481	440	457
New Highs.......	—	45	68
New Lows........	—	6	10

TORONTO	Mar. 8	Mar. 7	Mar. 6	Mar. 5	1984-85 High	1984-85 Low
Metals & Minerals	2057.9	2065.2	2095.7	2104.1	2624.4 (12/1/84)	1641.2 (25/7)
Composite	2618.9	2618.2	2643.8	2647.0	2647.0 (5/3/85)	2079.7 (24/7)
MONTREAL Portfolio	130.73	130.99	132.39	132.77	132.77 (5/3/85)	100.56 (24/6)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Phillips Pet. ...	3.559,500	48⅛	−½	Pac. Gas El.	1,232,700	17¾	−⅛
Fin. Cp. Am. ...	2,765,400	6½	+½	ATT	1,208,900	21½	—
Am. Nat. Rcs.	1,806,400	62⅞	−½	U.S. Tobacco ...	1,197,800	37⅞	−⅝
Mid-So. Util. ...	1,732,400	13⅞	—	Chrysler	1,106,100	32⅞	+⅛
IBM	1,722,900	129⅝	−½	Texas Oil & Gas	984,700	18⅝	+⅛

	Mar. 8	Mar. 7	Mar. 6	Mar. 5	1984-85 High	1984-85 Low
AUSTRALIA						
All ord. (1/1/80)	789.1	797.7	787.7	798.0	798.9 (20/2/85)	548.5 (18/6)
Metals & Minls. (1/1/80)	473.8	481.1	481.4	480.2	567.4 (5/1/84)	385.8 (7/1/85)
AUSTRIA						
Credit Aktien (2/1/62)	72.64	72.86	71.20	71.78	74.88 (28/2/85)	55.20 (15/6)
BELGIUM						
Brussels SE (1/1/80)	2298.5	2300.05	2308.25	2288.88	—	—
DENMARK						
Copenhagen SE (3/1/83)	178.48	178.82	177.72	176.52	225.2 (29/1/84)	158.44 (8/1/85)
FRANCE						
CAC General (31/12/82)	206.5	205.8	205.8	204.8	206.5 (8/3/85)	155.6 (5/1/84)
Ind Tendance (28/12/84)	111.8	111.4	111.1	110.5	111.8 (8/3/85)	100.8 (28/12/84)
GERMANY						
FAZ-Aktien (31/12/58)	416.92	415.08	417.60	415.37	417.60 (6/3/85)	317.17 (25/7)
Commerzbank (1/12/53)	1205.1	1196.8	1201.8	1195.1	1207.5 (4/3/85)	917.7 (25/7)
HONG KONG						
Hang Seng Bank (31/7/64)	1396.27	1389.14	1393.28	1387.94	1435.17 (19/2/85)	746.02 (13/7)
ITALY						
Banca Comm Ital. (1972)	278.30	278.19	272.88	269.51	288.71 (20/2/85)	192.06 (2/1/84)
JAPAN**						
Nikkei-Dow (16/5/49)	12547.5	12414.8	12498.7	12476.4	12589.6 (4/3/85)	9703.35 (23/7)
Tokyo SE New (4/1/68)	991.31	986.80	990.59	986.55	990.59 (6/3/85)	750.48 (4/1/84)
NETHERLANDS						
ANP-CBS General (1970)	205.9	205.2	206.9	204.8	206.8 (6/3/85)	145.9 (25/7)
ANP-CBS Indust (1970)	163.4	162.5	163.8	161.8	165.7 (21/2/85)	118.7 (19/6)
NORWAY						
Oslo SE (4/1/83)	321.20	318.71	317.10	317.84	345.8 (8/2/85)	221.57 (4/1/84)
SINGAPORE						
Straits Times (1966)	849.62	852.65	849.72	847.56	1071.9 (8/2/84)	784.4 (16/1/85)
SOUTH AFRICA						
Gold (1958)	907.2	885.1	(u)	905.0	1099.0 (19/11)	738.1 (24/1/84)
Industrial (1958)	847.7	847.2	(u)	846.6	1105.5 (28/3/84)	846.6 (5/3/85)
SPAIN						
Madrid SE (28/12/84)	111.17	111.15	112.17	112.75	117.41 (4/2/85)	100.06 (28/12/84)
SWEDEN						
Jacobson & P (1/1/58)	1424.0	1429.06	1443.79	1444.64	1594.5 (3/2/84)	1302.99 (22/11)
SWITZERLAND						
Swiss BankCpn. (31/12/58)	426.9	427.0	428.6	424.5	428.6 (6/3/85)	354.5 (25/7)
WORLD						
Capital Intl. (1/1/70)	186.8	—	196.6	197.8	198.1 (4/3/85)	183.2 (14/12)

** Saturday March 2: Japan Nikkei-Dow 12,439.7. TSE 986.03.

Base value of all indices are 100 except Australian All Ordinary and Metals—500. NYSE All Common—50: Standard and Poors—10: and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities. 40 Financials and 20 Transports. c-Closed. u Unavailable.

Stock	Sales (Hnds)	High	Low	Last	Chng
Thorin	81	12⅛	11⅞	12⅛	+⅜
Thortec	83	12½	12⅜	12⅜	−⅜
ThouT s	724	16¾	16½	16½	−¼
3Com	415	8⅝	8½	8⅝	
Tierco	10	8½	8½	8½	+½
TimeE s	515	14¼	13⅞	14	
TmeFib	11	9¾	9¾	9¾	−⅜
[illegible]					

AUTHORISED UNIT TRUSTS

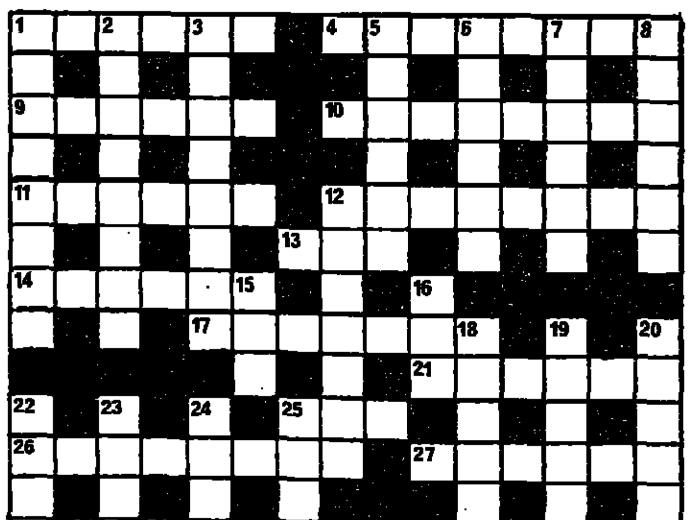
FT UNIT TRUST INFORMATION SERVICE

Britannia Viewpoint 01-675 6666

UK Specialist Funds				
Growth Gilt Trust	51.7	52.5	....	0.73
Recovery	74.7	79.7	-0.1	2.97
Smaller Cos.	109.1	116.4	-0.1	1.31
Spec. Mkt. Sits.	73.7	78.6	+0.3	1.34
UK Growth (Domestic)	31.3	33.4	-0.2	3.15
High Income Funds				
Extra Inc.	48.6	51.8	....	8.26
Gilt	25.1	26.4	....	10.00
Inc & Growth	149.5	159.5	-0.9	4.77
Nat. High Inc.	143.6	153.2	-0.4	6.07
Pref Shares	16.9	18.0	....	11.47

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,665



ACROSS

1 Train a collection of aquatic animals (6)
4 The boards receiving work on the quiet as a result of a strike (8)
9 Springs when no buds burst (6)
10 At the cricket-match Edward swore (8)
11 An assumption that appears right about the male (6)
12 Covering article in favour of cutting wood (8)
13 Returning a gift can cause depression (3)
14 Note rates and allowances (6)
17 Slip out in time to write a letter to a Greek (7)
21 A dancing girl taking part accepting a pound (6)
25 The doctor can encompass nothing for a lot of people (3)
26 A servant named Ernie? (8)
27 Provided backing for business failure (6)
28 A point a lawless individual made — sound (8)
29 "A wretch who supports with insolence and is paid with flattery," according to Johnson (6)
30 May dread changes. Fancy! (8)
31 American patriot always surrounded by soldiers (6)

DOWN

1 It's wise carrying a seaman to overturned wreck (8)
2 English writer occupied by English doctor (8)
3 A redoubt, properly built, could be almost impossible to conquer (8)
5 Flighty creature taking a little choice delicacy (6)
6 He refused food to a penniless boy (6)
7 A law no-one retired is fighting (6)
8 Invested — but owed in the end (6)
12 The beastly element? (3-4)
15 Some despair may be occasioned in the spring (3)
16 Start cutting very large lettuce (3)
18 Direct private transport the wrong way — tea-break's needed! (8)
19 Husband in a jam (8)
20 Censure the fool holding one up (8)
22 Craftily placed? (6)
23 Tart notice about game (6)
24 A man taking much interest in financial dealings (6)
25 Degree conferred on a nut maybe in Italy (6)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Wide Growth Management◊
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$11 42	—	−0.11	—

Inv. Adv.. M. & G. Inv. Mngt., Ltd., London.

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM. 0624 25015

Wren Com. Fund	12 8	13.5	....	3.10
Chorse Fund	57.1	59.5	....	1.70
Precious Metal Fund	69 6	72.5	....	8.30
Vanguard Cmdy Fd	19.3	19.8	....	0.00
Financial Futures Fd	32.4	33 7	....	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Gwth Fd	$8.60	—	−0.03	—

Money Market Trust Funds

	Nom	CAR	Int Cr	Notice
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	14.21	14.84	6-mth	Call
7-day Fnd	14.19	14.82	6-mth	7-day
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	13.93	14 40	6-mth	Call
7-day Fund	14.04	14.53	6-mth	7-day
Money Mngt. Acct	13.62	14.33	3-mth	Call
Dollar	7.12	7.24	6-mth	2-day

Money Market Bank Accounts

	Nom	CAR	Int Cr	Notice
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	13.75	14 48	Qtr	Call
Mth. Int. Chq.	13.50	14.37	Mth	Call
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	13.40	14.25	Mth	Call
Barclays Prime Account PO Box 125, Northampton 0604 252892				
High Int. Cheque	13.50	14.19	Qtr	Call
Britannia Grp of Investment Companies 29 Finsbury Circus, EC2M 5QL. 01-558 2777				
Cater Allen	13.50	14.37	Mth	Call
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	13.25	14.085	Mth	Call
U.S. Dollar	7.50	7.763	Mth	Call
German Marks	5 0	5.115	Mth	Call
Swiss Francs	2 0	2.018	Mth	Call
Japanese Yen	5.0	5.116	Mth	Call
Co-operative Bank 78-80 Cornhill EC3 01-626 6543 Ex 464				
Under £1,000	12.00	12.55	Qtr	Call
Over £1,000	14 00	14.75	Qtr	Call
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	13.50	14 20	Qtr	Call
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	13.25	14.04	Mth	Call
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
Notice Dep	13.25	13 68	Rate	14-day
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc.	13.50	14.40	Daily	Call
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	13 38	14.06	Qtr	Call
Provincial Trust (formerly Choularton) 30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc	14.00	14.93	Mth	Call
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
High Int. Bk. Acc.	13.10	14.00	Daily	Call
Premier Acc.	13.10	14.00	Daily	Call
Tyndall & Co 29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	13 96	14 71	Qtr	Call
Money Acc.	13 75	14 47	Qtr	Chq/7
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	13.65	1 54	Mth	Call
Over £10,000	13 90	14.82	Mth	Call

Notes: CAR=compounded annual rate. Int Cr=frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◊ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
21 Nov	21 May	Treas 3pc 1985	97⅞	15.10	3.06	13.97
15Jan	15Jul	Treas 11½pc 1985	99⅜	10.12	11.58	13.49
3 Mar	3 Sep	Treas 8¼pcCnv '85	97⅝	25.1	8.94	13.34
22 May	22 Nov	Exch 12¼pc 1985	99½	16.10	12.31	12.88
25 Aug	25 Feb	Exch. 11¼pc '86	99⅛	21.1	11.83	12.51
11Oct	11Apr	Treas. 10pcCnv 1986	97½xd	5.3	10.26	12.60
19 Nov	19 May	Treas 3pc 1986	93⅞	15.10	3.20	8.51
19 Nov	19 May	Exch. 10½pc Cv '86	97¾	15.10	10.74	12.56
12Dec	12Jan	Treas 12pc 1986	99½	5.11	12.06	12.38
10 Jan	10 Jul	Treas 8¼pc 1984-86‡‡	95¾	4.12	8.87	11.92
29 Apr	29 Oct	Exch. 14pc 1986	102⅝	24.9	13.63	12.09
21 May	21 Nov	Exch. 2½pc 1986	89¼	15.10	2.80	9.39
22Jul	22Jan	Exch. 13¼pc 1987	102⅛	17.12	12.97	11.91
10 Aug	10 Feb	Treas 10¼pcCv '87	97⅜	4.1	10.53	11.29
24Aug	24Feb	Exch 2½pc 1987	87½	18.1	2.86	9.65
6Oct	6Apr	Exch. 10½pc 1987	97⅝xd	1.3	10.76	11.85

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Dec	July	Young Brew 'A' 50p	210	26.11	†5.5	2.0	3.7	18.7
Dec	July	Do. Non V 50p	138	26.11	†5.5	2.0	6.0	11.6

BUILDING, TIMBER, ROADS

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan.	July	AMEC 50p	244	26.11	†10.0	2.4	5.9	9.3
July	Nov.	Aberdeen Const.	184	1.10	†6.5	2.7	5.0	9.5
March		‡Access Satellite 5p	206	11.2	a2.0	2.5	1.4	40.4
—	—	Allied Plant 5p	21	—	B—	—	—	—
—		♦Amco Ind Hldgs.	22	—	—	—	—	—
May	Nov.	Arncliffe 10p	36	26.3	‡2.66	2.1	‡	5.3
July	Jan	Atwoods	108	10.12	3.5	1.8	4.6	18.9
Jan	Aug	BPB Inds. 50p	237	10.12	†7.0	3.5	4.2	8.5
Feb.	Aug	Baggeridge Brick	260	24.12	6.25	3.7	3.4	11.2
Jan	June	Bailey (Ben) 10p	28	15.10	1.8	2.9	9.2	5.1
—		Baldwin (H. J.) 10p.	40	11.80	—	—	—	15.7
May	Nov.	Barratt Dev. 10p	78	1.10	7.62	1.7	15.6	4.6
Jan.	July	Bellway	128	26.11	7.0	2.0	8.3	8.0
May	Oct.	Benford M. 10p	67	3.9	3.75	1.2	8.0	15.2
—		‡Berkeley Group	165	24.12	a3.6	2.6	3.1	17.6

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Mar	Oct	‡Kent (John) 5p	48xd	25.2	g1.23	♦	3.7	♦
Oct.	Apr.	Ladies Pride 20p.	23	30.7	1.5	♦	9.7	♦
July	Nov	Lee Cooper	123	15.10	3.66	5.1	4.3	4.9
June	Nov	Liberty	470	1.10	†4.5	2.4	0.9	43.7
June	Nov	Do. Non Vtg	260	1.10	†4.5	2.4	1.6	24.2
Mr Ju Se	De	Limited Inc $0.50	£36xd	5.3	Q24c	—	0.6	—
Sept.	Apr.	Linkroft Kilgour 10p.	167xd	25.2	5.5	2.5	4.7	9.8
Oct	Apr	MFI Furniture 10p	220	11.2	†4.6	2.8	3.0	16.7
Jan.	July	Marks & Spencer	137	29.10	†h3.13	2.0	3.3	21.5
Jan	July	Menzies (J.)	220	12.11	†h3.0	4.9	1.9	14.1
Dec.	July	Milletts Leis. 20p	116	12.11	d6.95	0.7	8.6	(32.4)
July	Feb.	NSS News 10p	102	24.12	3.3	2.9	4.6	10.7
Oct	May	Oliver (G.) "A"	335	17.9	†7.0	3.5	3.0	11.0
Apr	Nov	Our Price 20p	363xd	25.2	N3.0	4.0	1.2	27.6
July	Dec	Owen Owen	180	15.10	3.3	2.4	2.6	19.6
Jan	June	Peters Stores 10p	70	26.11	2.0	—	4.1	—
Feb	Oct	Preedy (Alfred)	110	24.12	†3.5	2.1	4.5	12.1
December		Ramar Texts. 5p	21½	1.10	1.5	2.2	10.0	(5.3)
Mar	Oct	Rateers 10p	57	28.1	2.3	0.7	5.8	38.7
July		Raybeck 10p	23	14.5	†g0.67	4.4	‡	(7.9)

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
[illegible]							
Aug.	Feb	Cons. Murch. 10c	450	14.1	†Q100c	1.4	10.8
—		‡Ennex Int. Ir10p	38	—	—	—	—
Sept	Feb	Hampton Areas 10p	192	24.12	3.75	2.1	2.6
—		‡Highwood Res.	250	—	—	—	—
May	Aug	Homestake Mining $1	£21½	31.10	Q20c	—	0.8
—		‡McFinley Red Lake	270	—	—	—	—
—		‡Musto Explorations	260	—	—	—	—
—		‡New Saturn Res C$1	33	—	—	—	—
October		Northgate C$1	310	9/77	—	—	—
Jan	July	RTZ	644	29.10	†18.0	2.7	4.0
Jan	July	Do. 9½pcLn '95-2000	£142½	29.10	Q9½%	35.4	6.7
—		‡Tara Expln $1	£12⅝	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ■ "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ‖ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim, reduced final and/or reduced earnings indicated.
- ‡ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ■ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	98	...	Arnott	168	+2
Craig & Rose £1	£10	...	CPI Hldgs	57	...
Finlay Pkg. 5p	58	...	Carrol Inds.	110	+1
Higsons Brew	118	..	Dublin Gas	60	...
Holt (Jos) 25p	800	...	Hall (R. & H.)	45	...
IoM Stm. £1	127	..	Heiton Hldgs.	17	+1
IRISH			Irish Ropes	40	...
Exch. 12% 1985	£99½	+⅛	Jacob (W & R.)	65	
Nat 9¾% 84/89	£85⅝		TMG	110	..
Fin 13% 97/02	£90¼	.	Unidare	85	...

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT	32	Hanson Tst.	17½	Unilever	85
BOC Grp	25	Hawker Sidd.	38	Vickers	19
BSR	16	Hse of Fraser	30	**Property**	
BTR	52	ICI	60	Brit Land	12
Babcock	14	"Imps"	18	Cap Counties	18
Barclays	48	Jaguar	28	Land Secs	25
Beecham	32	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen	50	Peachey	22
Boots	15	Lex Service	28	Samuel Props	14
Bowaters	20	Lloyds Bank	45	**Oils**	
Brit Aerospace	33	Lucas Inds	25		
Brit. Telecom	11	Marks & Spcr	11	Brit. Oil & Min	4
Brown (J.)	3	Midland Bk	30	Brit Petroleum	42
Burton Ord	39	NEI	8	Burmah Oil	18
Cadburys	14	Nat West Bk	60	Charterhall	6
Comm Union	19	P & O Dfd.	36	Premier	5
Courtaulds	12½	Plessey	17	Shell	60
Debenhams	17½	Polly Peck	26	Tricentrol	18
Distillers	28	Racal Elect	18	Ultramar	19
Dunlop	6	RHM	11	**Mines**	
FNFC	8½	Rank Org Ord	32		
Gen Accident	45	Reed Intnl	50	Charter Cons	18
Gen Electric	17	Sears	8	Cons Gold	44
Glaxo	85	TI	20	Lonrho	14
Grand Met.	25	Tesco	20	Rio T Zinc	56
GUS 'A'	60	Thorn EMI	35		
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 14

CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
March	90.42	90.43	90.25	90.21
June	89.33	89.37	89.14	89.04
Sept	88.79	88.80	88.63	88.54
Dec	88.43	88.45	88.31	88.20
March	88.15	—	—	87.92

Est. Volume 8,765 (7,641)
Previous day's open int. 15,675 (15,903)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
March	86.17	86.18	86.07	86.07
June	87.76	87.77	87.54	87.57
Sept	88.63	88.67	88.59	88.53
Dec	88.63	88.63	88.59	88.44
March	88.40	—	—	88.35

Est. Volume 1,542 (1,274)
Previous day's open int. 6,629 (6,665)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
March	104-10	104-13	104-05	103-30
June	105-02	105-07	104-18	104-20
Sept	108-08	108-08	107-31	107-29
Dec	107-15	—	—	107-04
March	107-04	—	—	106-25

Est. Volume 3,059 (194)
Previous day's open int. 1,646 (4,471)
Basis quote (clean cash price of 13¾ per cent Treasury 2003 less equivalent price of near future contract) 8 to par (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1-0679	1-0700	1-0595	1-0630
June	1-0579	1-0604	1-0495	1-0530
Sept	1-0549	1-0549	1-0485	1-0495

Est. Volume 311 (47)
Previous day's open int. 2,365 (2,37)

DEUTSCHE MARKS
DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.2946	0.2947	0.2917	0.2939
June	0.2969	0.2970	0.2939	0.2964
Sept	0.2997	—	—	0.2993

Est. Volume 46 (29)
Previous day's open int. 289 (77)

SWISS FRANCS
SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
March	0.3464	—	—	0.3446
June	0.3498	—	—	0.3480

Est. Volume nil (2)
Previous day's open int. 137 (138)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.3827	0.3827	0.3823	0.3830
June	0.3858	—	—	0.3862

Est. Volume 21 (150)
Previous day's open int. 217 (120)

U.S. TREASURY BONDS
8% $10,00 32nds of 100%

	Close	High	Low	Prev
March	69-13	69-13	68-22	68-15
June	68-16	68-20	67-23	67-18

Est. Volume 1,919 (1,709)
Previous day's open int. 2,429 (2,268)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
March	127.95	128.15	127.50	127.80
June	128.45	128.45	128.40	128.30
Sept	128.65	—	—	128.50

Est. Volume 190 (194)
Previous day's open int. 1,646 (1,643)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	69-26	69-27	69-08	68-20
June	68-28	68-28	68-07	67-21
Sept	68-01	68-02	67-14	66-28
Dec	67-12	67-13	66-26	66-07
March	66-27	66-27	66-13	65-23
June	66-13	66-13	66-03	65-29
Sept	66-01	66-01	65-23	64-29
Dec	65-23	65-23	65-13	64-19
March	65-14	65-14	65-03	64-10
June	65-07	65-07	64-28	64-02

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev
March	91.47	91.47	91.27	91.21
June	90.78	90.79	90.49	90.43
Sept	90.31	90.35	90.09	90.01
Dec	90.00	90.03	89.81	89.70
March	89.73	89.73	89.61	89.42
June	89.55	89.56	89.42	89.26
Sept	89.39	89.39	89.24	89.11
Dec	29.25	89.25	—	88.96

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
March	90.87	90.89	90.65	90.60
June	89.83	89.84	89.56	89.49
Sept	89.26	89.25	89.16	88.97
Dec	88.88	88.86	88.78	88.62

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev
March	90.45	90.46	90.27	90.18
June	89.43	89.44	89.14	89.08
Sept	88.86	88.86	88.62	88.56
Dec	88.48	88.48	88.33	88.20
March	88.21	88.24	88.03	87.93
June	88.00	88.01	87.82	87.72
Sept	87.78	87.82	87.71	87.51

STERLING (IMM) $s per £

	Close	High	Low	Prev
March	1.0650	1.0715	1.0625	1.0635
June	1.0655	1.0625	1.0525	1.0540
Sept	1.0635	1.0585	1.0490	1.0510
Dec	1.0625	1.0590	1.0520	1.0500

GNMA (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	69-27	69-28	69-15	69-06
June	69-00	69-01	68-17	68-11
Sept	68-08	68-08	67-24	67-19
Dec	67-20	—	—	66-31
March	—	—	—	—
June	66-17	—	—	65-28
Sept	66-02	—	—	65-13

WEEKLY CHANGE IN WORLD INTEREST RATES

	March 8	change		March 8	change
LONDON			**NEW YORK**		
Base rates	14	Unch'd	Prime rates	10½	Unch'd
7 day interbank	14 1/16	+1/16	Federal funds	8 7/16	−¼
3mth interbank	13 15/16	−1/16	3 Mth. Treasury Bills	8.56	+0.02
Treasury Bill Tender	13.3716	−0.3281	6 Mth. Treasury Bills	8.85	+0.03
Band 1 Bills	13⅞	Unch'd	3 Mth. C D	9.30	+0.15
Band 2 Bills	13¾	Unch'd	**FRANKFURT**		
Band 3 Bills	13⅝	Unch'd	Lombard	6.0	Unch'd
3 Mth. Treasury Bills	13 19/32	−3/32	One Mth. Interbank	6.40	+0.30
1 Mth. Bank Bills	13¾	−1/16	Three month	6.55	+0.325
3 Mth. Bank Bills	13 19/32	−3/32	**PARIS**		
			Intervention Rate	10½	Unch'd
TOKYO			One Mth. Interbank	10¾	+1/16
One month Bills	6.53125	Unch'd	Three month	10¾	Unch'd
Three month Bills	6.34375	Unch'd			
BRUSSELS			**MILAN**		
One month	10 11/16	−1/16	One month	16 1/16	+⅛
Three month	10 15/16	+1/16	Three month	16 3/16	Unch'd
AMSTERDAM			**DUBLIN**		
One month	7 1/16	+⅜	One month	14⅝	−⅛
Three month	7½	+7/16	Three month	14 9/16	−1/16

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 13½.

FOREIGN EXCHANGES

No place for the faint hearted

BY COLIN MILLHAM

Last week saw as many problems created as solved in currency markets. Against a background of conflicting economic projections, confusion as to the exact position of the U.S. Administration regarding control of the dollar and the prospect of European central banks embarking on another dollar-bashing session, it was hardly surprising to see the dollar swing dramatically from time to time.

The previous week's intervention was considered sufficient to influence trading last week as the mere threat of further concerted action reduced enthusiasm to push the dollar to new peaks. At the same time it highlighted a growing awareness of the apparent lack of consensus in the U.S. as to the value of heavy central bank intervention as a weapon to deflect the dollar's rise.

The latest U.S. money supply figures pushed annualised growth outside the Federal target range, giving rise to thoughts that any sustained downward correction in the dollar's value would be taken as an opportunity by the Fed to tighten its monetary stance to check both the possibility of any runaway economic growth and its inflationary implications. This would involve higher interest rates which would once again add to the dollar's attractiveness. At the same time others were predicting a *slowdown in money* supply growth later this year, making it unnecessary to follow this course.

By coincidence or design, those sitting on dollars at the highest point of the week, on Wednesday morning, found the combination of a desire to take profits and testimony by Mr Paul Volcker suggesting a lower dollar, irresistible and the dollar embarked on an 8 pfennig or 2.3 per cent fall against the D-mark. It recovered some poise towards the end of the week but clearly the ability to proceed on the dollar's longer term potential was being severly compromised by its short-term gyrations.

STERLING EXCHANGE RATE INDEX

(Bank of England)

	March 8	Previous
8.30 am	70.9	71.6
9.00 am	70.9	70.9
10.00 am	70.9	[illegible]
11.00 am	71.0	[illegible]
Noon	71.0	[illegible]
1.00 pm	[illegible]	[illegible]
2.00 pm	71.1	[illegible]
3.00 pm	71.1	[illegible]
4.00 pm	71.1	[illegible]

New York rates [illegible]

	March 8	Prev. close
£ Spot	1.0770-1.0780	[illegible]
1 month	0.46-0.44pm	[illegible]
3 months	1.06-1.02pm	[illegible]
12 months	1.40-1.25pm	[illegible]

Forward premiums and discounts apply to the U.S. dollar.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.0665	1.0620	1.0564	[illegible]	[illegible]
D-Mark	3.6275	3.6038	3.5644	3.5252	[illegible]
French Franc	11.06	11.0314	10.995	10.9873	[illegible]
Swiss Franc	3.08	3.0584	3.0223	2.9763	[illegible]
Japanese Yen	278.75	277.01	273.91	270.02	[illegible]

POUND SPOT—FORWARD AGAINST POUND

March 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.0560-1.0710	1.0660-1.0670	0.48-0.43c pm	5.01	1.04-0.99pm	3.81
Canada	1.4810-1.4965	1.4910-1.4960	0.40-0.31c pm	2.85	0.71-0.57pm	1.71
Nethlnd.	4.08½-4.12	4.08¾-4.09¾	2⅜-2¼c pm	6.60	6⅜-5⅞pm	5.99
Belgium	72.70-73.25	72.70-72.80	25-20c pm	3.71	56-49pm	2.89
Denmark	12.92¾-13.01¾	12.93-12.94	2⅞-1⅞ore pm	2.20	6¾-5¾pm	1.89
Ireland	1.1626-1.1696	1.1665-1.1675	0.06p pm-0.15d	−0.46	0.03pm-.43d	−0.69
W. Ger.	3.61½-3.64	3.62¼-3.63¼	2⅞-2¼pf pm	7.86	6⅝-6¼pm	7.10
Portugal	197¾-201¾	199½-201½	125-450c dis	−17.21	440-1300d	−17.36
Spain	200½-201½	200½-201	15c pm-par	0.45	24-26dis	−0.50
Italy	2,252¾-2,271½	2,262½-2,263½	par-2 lire dis	−0.53	5-11dis	−1.41
Norway	10.35¾-10.44½	10.37¾-10.38¾	1⅜-⅞ore pm	1.45	2¾-1⅝pm	0.80
France	11.04¾-11.13¾	11.05½-11.06½	3⅜-2¾c pm	3.32	7-6pm	2.35
Sweden	10.25½-10.35½	10.26½-10.27½	1-⅛ore pm	0.80	par-⅞dis	−0.17
Japan	276½-279¾	278¾-279¾	1.79-1.69y pm	7.49	4.98-4.86pm	7.07
Austria	25.40-25.60	25.45-25.55	17-15⅞gro pm	7.65	44⅞-41½pm	6.77
Switz.	3.07½-3.11¼	3.07½-3.08½	2¾-2⅜c pm	8.52	6⅞-5¾pm	7.71

Belgian rate is for convertible francs. Financial franc 73.20-73.30.
Six-month forward dollar 1.37-1.32c pm. 12-month 1.35-1.20c pm.

BANK OF ENGLAND TREASURY BILL TENDER

	March 8	March 1		March 8	March 1
Bills on offer	£100m	£100m	Top Accepted rate of discount	13.4168%	[illegible]
Total of applications	£379m	£290.55m	Average rate of discount	13.3716%	[illegible]
Total allocated	£100m	£100m	Average yield	13.83%	[illegible]
Minimum accepted bid	£96.655	£96.64	Amount on offer at next tender	£100m	[illegible]
Allotment at minimum level	74%	11%			

OTHER CURRENCIES

Mar. 8	£	$		£ Note Rates
Argentina Peso	304.55-305.11	285.16-285.41	Austria	25.40-25.65
Australia Dollar	1.5400-1.5440	1.4415-1.4430	Belgium	73.15-73.85
Brazil Cruzeiro	4,269-4,294	3,997-4,017	Denmark	12.93-13.05
Finland Markka	7.5010-7.5365	7.0150-7.0200	France	11.05-11.16
Greek Drachma	151.08-154.13	142.56-145.54	Germany	3.61¼-3.64¼
HongKong Dollar	8.3230-8.3340	7.8010-7.8030	Italy	2245-2280
Iran Rial	103.0*	96.50*	Japan	276-280
KuwaitDinar(KD)	0.3275-0.3280	0.30655-0.30675	Netherlands	4.08½-4.12½
Luxembourg Fr.	72.70-72.80	[illegible]	Norway	[illegible]
Malaysia Dollar	2.7720-2.7780	[illegible]	Portugal	194-206
New Zealand Dlr.	2.3900-2.3300	[illegible]	Spain	195½-206
Saudi Arab. Riyal	3.8575-3.8665	[illegible]	Sweden	10.21-10.31
Singapore Dollar	2.4320-2.4390	[illegible]	Switzerland	3.07½-3.10½
Sth African Rand	2.1320-2.1870	[illegible]	United States	1.04½-1.06¼
U.A.E. Dirham	3.9215-3.9285	[illegible]	Yugoslavia	260-290

* Selling rate.

† Correction: Kuwait—$ (Mar. 7) 0.30665-0.30675.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

March 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.0560-1.0710	1.0660-1.0670	0.48-0.43c pm	5.01	1.04-0.99pm	3.81
Ireland†	0.9053-0.9185	0.9120-0.9150	0.46-0.39c pm	[illegible]	[illegible]	[illegible]
Canada	1.3960-1.4066	1.3995-1.4005	0.25-0.29c dis	[illegible]	[illegible]	[illegible]
Nethlnd.	3.8300-3.8880	3.8370-3.8380	0.55-0.52c pm	[illegible]	[illegible]	[illegible]
Belgium	68.15-69.05	68.15-68.25	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	12.09-12.28	12.12¼-12.13¼	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	3.3800-3.4360	3.4120-3.4130	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	187.50-189.65	187.50-187.80	[illegible]	[illegible]	[illegible]	[illegible]
Italy	2,112-2,140	2,122-2,123	[illegible]	[illegible]	[illegible]	[illegible]
Norway	9.72¾-9.82	9.72½-9.73½	[illegible]	[illegible]	[illegible]	[illegible]
France	10.34½-10.48½	10.36½-10.37½	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	9.61⅝-9.72	9.62⅝-9.63⅜	[illegible]	[illegible]	[illegible]	[illegible]
Japan	260.80-262.65	261.55-261.65	[illegible]	[illegible]	[illegible]	[illegible]
Austria	23.82¾-24.13¾	23.86-23.90	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	2.8775-2.9270	2.8895-2.9005	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 68.65-68.75.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	44.7152	−0.41	+0.25	±1.5622
Danish Krone	8.14104	7.94775	−2.37	−1.71	±1.6419
German D-Mark	2.24184	2.22452	−0.77	−0.11	±1.1475
French Franc	6.87456	6.79802	−1.11	−0.45	±1.3669
Dutch Guilder	2.52595	2.51708	−0.35	+0.31	±1.5171
Irish Punt	0.72569	0.714461	−1.55	−0.89	±1.6703
Italian Lira	1403.49	1387.39	−1.15	−1.15	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

CURRENCY MOVEMENTS

Mar. 8	Bank of England Index	Morgan Guaranty Change %
Sterling	71.1	−18.6
U.S. dollar	155.6	+29.0
Canadian dollar	86.4	−7.4
Austrian schilling	108.1	+8.7
Belgian franc	87.3	−10.6
Danish Kroner	76.1	−6.8
Deutsche mark	118.1	+5.3
Swiss franc	132.0	+6.4
Guilder	108.6	+2.3
French franc	68.6	−16.5
Lira	46.1	−15.5
Yen	155.6	+11.3

† Correction (March 6): +39.7.
Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Mar. 8	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	[illegible]	[illegible]
U.S. $	8	1.05 [illegible]	0.6 [illegible]
Canadian $	11.27	[illegible]	[illegible]
Austria Sch.	4½	[illegible]	[illegible]
Belgian Fr.	11	55.3235	44.7152
Danish Kr.	7	11.6355	7.94775
Dmark	4	3.25309	2.22452
Guilder	5	3.67447	2.51708
French Fr.	9	9.93145	6.79802
Lira	15½	2030.92	1387.39
Yen	5	248.881	170.521
Norway Kr.	8	9.31697	6.35960
Span'h Pts.	½	180.058	123.052
Swedish K.	9	9.21710	6.30737
Swiss Fr.	4	2.76798	1.89612
Greek Dr'ch	20½	N/A	93.3661
Irish Punt	12¾	1.04298	0.714461

*C$/SDR rate for March 8: 1.33075.

EXCHANGE CROSS RATES

Mar. 8	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.067	3.628	278.8	11.06	3.080	4.093	2265.	1.494	72.75
U.S. Dollar	0.938	1.	3.413	261.5	10.37	2.900	3.838	2.23	1.400	68.20
Deutschemark	0.276	0.294	1.	76.84	3.049	0.849	1.128	623.8	0.412	20.06
Japanese Yen 1,000	3.587	3.826	13.01	1000.	39.68	11.05	14.68	8118.	5.358	261.0
French Franc 10	0.904	0.964	3.280	252.0	10.	2.786	3.700	2046.	1.350	65.78
Swiss Franc	0.325	0.346	1.178	90.50	3.591	1.	1.329	734.7	0.482	23.62
Dutch Glider	0.244	0.261	0.886	68.11	2.703	0.753	1.	553.0	0.365	17.78
Italian Lira 1000	0.442	0.471	1.603	123.2	4.887	1.361	1.808	1000.	0.660	32.15
Canadian Dollar	0.670	0.714	2.429	186.6	7.405	2.062	2.740	1515.	1.	48.71
Belgian Franc 100	1.375	1.446	4.986	383.2	15.20	4.234	5.625	3111.	2.053	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Mar. 8	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	14¼-14⅝	8¼-8⅝	10⅞-11⅛	7¼-7⅝	3⅛-3⅜	6-6⅛	10⅝-10¾	13-14	10½-10¾	10⅜ 10⅝	6 3/16-6 7/16	12½-13
7 day's notice	14 3/16-14 7/16	8 3/16-8 7/16	10¾-11⅛	7¼-7⅝	3 7/16-3¼	5 15/16-6 1/16	10⅝-10¾	13¾-14¼	10⅝-10⅞	10½-10¾	6 3/16-6 5/16	12¾-13¼
Month	14 3/16-14 5/16	8 13/16-9 1/16	10¾-11	7⅜-7½	5½-5⅝	6 1/16-6 3/16	10 11/16-10 13/16	14⅛-14⅝	10⅝-10⅞	10⅝-10⅞	6 7/16-6⅝	12-12½
Three months	13¾-13⅞	9½-9⅝	11⅛-11¾	7 7/16-7 9/16	5¾-5⅞	6⅜-6½	11 1/16-11 3/16	14⅝-15⅛	10¾-11	10⅞-11⅛	6⅜-6½	12⅝-12⅞
Six months	13 3/16-13¼	10⅛-10¼	12⅜-12⅝	7 9/16-7 11/16	5 13/16-5 15/16	6⅝-6¾	11 13/16-11 15/16	15¼-15⅝	10⅞-11⅛	10⅞-11⅛	6 5/16-6 7/16	11-11½
One year	12 11/16-12 13/16	10⅞-11	12⅝-12⅞	7⅝-7¾	5⅝-5¾	6⅞-7	12¼-12½	15-15½	11⅜-11⅝	11¼-11½	6 5/16-6 7/16	11½-12

Asian $ (closing rates in Singapore)): Short-term 8⅜-8½ per cent: seven days 8 9/16-8 11/16 per cent: one month 9-9⅛ per cent: three months 9⅝-9¾ per cent: six months 10⅜-10½ per cent: one year 11⅛-11¼ per cent. Long-term Eurodollars: two years 11¾-12 per cent: three years 12-12¼ per cent: four years 12⅛-12⅜ per cent: five years 12½-12¾ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen: others two days' notice.

MONEY MARKETS

Little to go for before the Budget

Despite the antics of the dollar, sterling finished the week virtually where it started. UK interest rates followed the same pattern, with the key three-month interbank rate showing little deviation from 14 per cent. Although the performance of the dollar ultimately affects UK rates, the market has shown some degree of success in partially divorcing itself from the frantic gyrations seen in the foreign exchange market. *The relationship between* sterling and domestic rates has been distinctly symbiotic with base rates of 14 per cent helping to underpin the pound at a time when other European currencies were being sold to buy dollars.

Barring a sharp move outside recent trading ranges, the market seems likely to be influenced most by next week's Budget. Here again opinions differ on how much the year-long miners' strike and sterling's 8 per cent fall against the dollar from the beginning of the year will affect the flavour of the measures announced. Given the one-off cost of the miners' strike there may still be enough room to produce a reflationary package but sooner or later this must include a programme geared towards lower interest rates.

At this point it all becomes a little arbtrary as witnessed by the 4½ point rise in base rates this year, prompted mainly by sterling's loss of confidence in the face of a soaring dollar.

For the time being the market has enjoyed something of a calm patch with a lot of effort absorbed by achieving adequate funding through what is a traditionally tight part of the year. That this is slowly coming to an end was shown by the Bank of England's decision to renew only roughly half the £2bn special facility unwinding on Thursday. The new facility will run until April 25 which means that the total of temporary credit will reduce on Thursday to nearer £4bn from £5bn.

UK clearing banks base lending rate 14 per cent since January 28

MONEY RATES

March 7	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	6.00-6.10	10¾	2⅜-2⅝	7-7⅛	6.40625	15¾-16⅛	9.60	14⅜-14⅝
One month	6.15-6.35	10 11/16-10 13/16	5⅛-5⅜	7⅛-7¼	6.53125	15⅞-16¼	10⅝-10⅞	14½-14¾
Two months	6.20-6.40	10 11/16-10 13/16	—	—	—	—	—	14½-14¾
Three months	6.30-6.50	10 11/16-10 13/16	5¾-5⅞	7⅜-7½	6.34375	16-16⅜	10⅞-11⅛	14½-14⅝
Six months	6.6-6.8	10¾-10⅞	—	7½-7⅝	—	—	11-11¼	[illegible]
Lombard	6.0	—	—	—	—	—	—	—
Intervervention	—	10½	—	6⅞	—	—	—	—

LONDON MONEY RATES

Mar. 8 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	14-17	14⅛-14¼	14½	14-14¼	—	—	—	—	—
2 days notice	—	—	14⅛-14¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14¼-14½	14¼	[illegible]	—	—	—	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—	—
One year	12⅞-12¾	12⅞-12⅝	13⅛	—	—	—	—	—	—	—

Discount Houses Deposit and Bill Rates [illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. March 8)
Three months U.S. dollars

bid 9 9/16	offer 9 11/16

Six months U.S. dollars

bid 10 5/16	offer 10 7/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

ECGD Fixed Rate Export Finance IV: Average Rate of interest period February 6 to March 5 1985 (inclusive): 13.883 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 12¼ per cent from March 1 1985. London and Scottish Clearing Bank Rates for lending 14 per cent. London Deposit Rates for sums at seven days' notice 11-11¼ per cent. Treasury Bills: Average tender rates of discount 13.3716 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 14 per cent; one-three months 13½ per cent; three-six months 13¼ per cent; six-nine months 13¼ per cent; nine-12 months 13 per cent. Under £100,000 12 per cent from March 5. Deposits held under Series 5 13 per cent. The rate for all deposits withdrawn for cash 8 per cent.

MONEY RATES

NEW YORK (4 pm)

Prime rate	10½
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]

Treasury Bills

One month	7.80
Two month	8.20
Three month	8.40
Six month	8.85
One year	9.30

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
30 year	[illegible]

FINANCIAL TIMES SURVEY

ITALY

Italy's economy has bounded out of recession and registered faster growth than virtually every country in Europe. Whether the country can consolidate that achievement depends much on whether the Government of Bettino Craxi survives. It has already lasted longer than most of its 44 post-war predecessors.

The rewards of vitality

THE FIRST hint of Spring is in the air in Rome, but the belts of dying eucalyptus trees on the hills around the city are sad victims of the snow and intense frost—the worst in a generation—which hit the city in January.

Further north, in Tuscany, and along the coast of Liguria, the farmers are watching anxiously to see if Spring will revive their forlorn-looking olive trees, their bark split by the record low temperatures. Meanwhile, the Mayors of Rome and Milan are wondering if, in May, they will be punished by the electorate for their lackadaisical response to the winter emergency.

By JAMES BUXTON

In Rome

Sig Bettino Craxi, the Prime Minister, is also looking to the nationwide local elections to learn the fate of his Government. If it survives until then, which it should, it will have lasted nearly two years—longer than all but four of Italy's 44 post-war administrations and longer than any since the 1950s.

Both his survival and the fact that his Government has notched up a few genuine achievements is due to the curious balance of political forces that brought him to power in the first place.

So long as the Christian Democrats eschew pacts with the Communists, Sig Craxi's much smaller Socialist Party is crucial to coalition-making. Until he became Prime Minister, Sig Craxi used this power to make life difficult for, or even to bring down, the governments of which his party was a member. But once he became Prime Minister, that threat was removed, and yet he still remains indispensable.

Italy has never had a Prime Minister like Bettino Craxi. In contrast to his predecessors he became Premier without filling any national office except that of party leader—he had never been a minister or even a mayor.

It shows he is highly experienced in the ways of politics, but lacks knowledge of the ways of government. He is ambitious, yet seems to lack a medium-term strategy for the country. He gets angry and impatient when his plans run into parliamentary obstacles. Yet while head of a government in which his own party is in a minority, he gives the impression of being his own man—and a large and commanding one at that.

He also comes from the Socialist Party. That does not mean he is a socialist—he shows few traces of that—but it does mean that his Government does things that a Christian Democrat government would probably shirk. By far the most important step his government has taken is to push through a measure which will strike a blow at the pervasive black economy by obliging shopkeepers and small businessmen to pay more tax.

It is a reform that should eventually change the face of Italian life for better or for worse. The shopkeepers' tax evasion has preserved many thousands of shops that would not exist under less forgiving tax rules. The tax measure, pushed through by the Minister of Finance, the severe Sig Bruno Visentini, with Sig Craxi's steadfast support, should make Italy more like the rest of Europe, where shops are fewer, and less personal, but more efficient.

Yet, the measure also shows many of the bad aspects about Italian Government. Because many shopkeepers cannot be trusted to make honest tax declarations, and because tax inspectors have neither the staff nor the patience to examine their affairs in detail, the the law lets the taxman make assumptions about their profits on the basis of their turnover. That gives officials immense power, not to mention handsome opportunities for corruption.

That unpleasantness aside, however. Sig Craxi has not had to agonise over as many disagreeable economic measures as his predecessors. It has been his fortune to have been in power when the economy, with its customary vitality, has bounded out of recession and registered faster growth than virtually every country in Europe. Inflation has dropped into single figures for the first time since 1973, thanks, in part, to Sig Craxi's action in temporarily limiting wage indexation

Though Reaganomics is a dirty word in Europe as the dollar soars, the U.S. President's economic policy has echoes in Italy: a very big public sector borrowing requirement, fast growth and a currency that has shown such strength in the Europan Monetary System that Italy had a notable capital inflow last year.

Italian private industry is reaping the benefits of the untraumatic but thorough transformation that it underwent from the beginning of the decade. The achievement of Fiat in gaining control of its labour costs and rationalising its car production looks more striking now that has become obvious to everyone that Renault and Peugeot did not do the same. Pirelli, the tyre and cable maker, looks positively bouncy when its performance is set against Michelin's horrific losses and Dunlop's almost total abandonment of tyre-making.

Profitable

Olivetti is now one of the most profitable large companies in Europe. And its chairman, Carlo de Benedetti, regularly dazzles the world's media with his lightning operations—most recently the purchase of control of Acorn in the UK.

No less strikingly, bright, medium-sized concerns such as Benetton, in casual clothing, and their smaller sister companies such as Missoni, in fashion, are the most visible protagonist of Italian industry's assault on the U.S. market, where the strong dollar raised Italian exports by nearly 70 per cent last year.

The small companies owe their succes to hard work and flexibility, including the readiness to jump generations in technology. Flexibility is essential just to survive Italian bureaucracy and the banking system.

The big companies have often benefited from the generosity of the state in subsidising the laying-off of surplus workers, and from the fact that unions, despite their rhetoric, now broadly accept that businessesses must make profits. Nothing remotely like the UK miners' strike would happen in Italy.

But Sig Benedetti put his finger on it recently when he said that the problem "is not to compare the Italy of today with that of five or six years ago, but with the rest of the world today. As far as the private sector is concerned, the results are much worse."

It is a brave man who would declare that the effort now being made to improve the vast industrial holding companies yet amount to a turnround in theeir disastrous fortunes. But at least reforms are being made, which is more than can be said for the rest of the state apparatus: one thinks of the pension administration, whose clients often die before they have received the money to which they are entitled; of municipalities that take years to reply to requests to instal a new bath-

CONTINUED ON PAGE 2

Top people in industry

Back row, left to right: Gianni Agnelli, chairman of Fiat, Italy's biggest private company; Luigi Lucchini, president of Confindustria, the employers' association; Franco Reviglio, chairman of ENI, the state energy company. Front row, left to right: Romano Prodi, chairman of IRI, the state industrial holding company; Carlo de Benedetti, chairman of Olivetti; Cesare Romiti, managing director of Fiat; and Marisa Bellisario, managing director of Italtel, the telecommunications equipment group

The network of industrial power

-Page 7

ON OTHER PAGES

Left to right: Sandro Pertini, President of Italy; Bettino Craxi, Prime Minister; Giulio Andreotti, Foreign Minister; and Ciriaco de Mita, Secretary of the Christian Democratic Party

The local elections in May will decide the fate of the Craxi Government

Tensions are rising

THE ELECTIONS are not until May 12 but already they dominate every word and deed of Italy's political class. They are not general elections but elections to regional governments and city administrations. Yet they are almost as important as general elections.

One reason is that the decentralisation of Government which has taken place in the past 15 years means that regional administrations now have considerable power, particularly when it comes to spending money and awarding contracts. Regional politicians have great influence on their national colleagues.

But the main reason is that the elections represent the most comprehensive test of public opinion since last summer's European elections. In a country where opinion polls count for little, where voting is virtually obligatory and where the loss or gain of one or two percentage points in a party's vote can be of crucial significance, any election is important.

This time the local elections will not only determine the fate of Sig Bettino Craxi's Government, but should also influence the second election in the calendar—that of the President of the Republic. The seven-year term of President Sandro Pertini, who is 88, ends in early July, and Parliament must elect the new President before then. It is quite possible that it will choose to re-elect President Pertini.

The last general elections, in June, 1983, produced a fall in the Christian Democrat vote that was, by the viscous standards of Italian politics, an earthquake. It dropped to its lowest level ever, 32.9 per cent, and raised alarm that has yet to die down that the strange amalgam of interests which have kept this centrist, Catholic party predominant, is now crumbling.

But for the five parties as a whole from which all governments since the late 1940s have been drawn — the Christian Democrats, Socialists, Social Democrats, Republicans and Liberals—that election brought about no net loss of seats in Parliament. The smaller parties simply gained at the expense of the Christian Democrats, with Sig Craxi's Socialists going up by a hardly gratifying 1.6 per cent to 11.4 per cent.

But that didn't really matter for Sig Craxi. The demoralised Christian Democrats decided they had no choice but to give Sig Craxi the prime ministership he so desperately wanted.

The build-up to local elections

JAMES BUXTON

Thus it was that a party with only about a tenth of the vote took control at Palazzo Chigi.

No one was more dismayed by this turn of events than Sig Enrico Berlinguer, the leader of the Communist Party. Though it had been obvious for years that Sig Craxi had no intention of doing a deal with the Communists, his becoming Prime Minister seemed to deal the *coup de grace* to Sig Berlinguer's dream of coming to power in alliance with the Socialists in what in party jargon is called "the democratic alternative."

Spurred on, too, by personal dislike of Sig Craxi, the Communist leader declared unremitting opposition to him.

The battle came to a head when, in February last year, Sig Craxi put a temporary limit on the Scala Mobile wage indexation system in defiance of the Communist-oriented union, the CGIL, and in breach of the tradition that the Communists have an unspoken veto on major acts of economic policy. The Christian Democrats were particularly uneasy about the confrontation which Sig Craxi provoked.

Sadness

But after four months of Communist obstruction, the measure finally scraped through Parliament. As it did so, Sig Berlinguer lay in a coma in hospital in Padua, victim of a stroke from which he died a few days later. His funeral attracted more than a million people to Rome and caused an outpouring of sadness from many outside his party. A few days later Italy went to the polls for the European elections.

The results put the Communists ahead of the Christian Democrats (by 0.3 of a point) for the first time—the "*sorpasso*" or overtaking which Nato countries are supposed to have nightmares about. But the Christian Democrats took comfort from the fact that their vote did not actually fall—in fact it rose by 0.1 per cent.

Sig Craxi did poorly: the Socialist vote fell, by an exiguous 0.2 per cent.

The European elections naturally changed nothing in Parliament. But whatever the effect on the result of Sig Berlingeur's death, the electorate showed that it was not impressed by Sig Craxi's "*decisionismo*" — the now forgotten term used to describe his decisiveness over the Scala Mobile.

Yet the fact that his party fell back actually made it easier for the Christian Democrats to tolerate his continuing as Prime Minister.

An agreement thrashed out in the heat of July granted him tenure until the local elections —by which time his Government will have beaten all but four of its postwar predecessors in longevity.

All three big parties approach the local elections with anxiety. The Communists, despite their grass roots strength and organisation, seem to be failing to project, under their new leader, Sig Alessandro Natta, a clear idea of where they are going and how they intend to win power at the national level.

Their assaults on the Christian Democrats and on Sig Giulio Andreotti, the Foreign Minister and once their chief interlocutor in the long-ruling party, seem to have puzzled rather than enthused their supporters. But they can still expect to win votes in local elections from those who would not dare to support it in a national poll.

Sig Craxi himself knows that if he fails to lever his party upwards in the vote this time, the knives will be out for him from the left of the party, to which many of its traditional supporters still adhere.

The local elections cannot, of course, change the composition of Parliament but they can alter enormously how the parties view themselves and each other. If the Communists become the biggest single party and the Christian Democrats decline, then Sig Craxi's days could be numbered. The Christian Democrats would feel more inclined to snatch back the prime ministership to emphasise that it still calls the shots.

If, on the other hand, the five-party coalition has its position confirmed or even strengthened, then Sig Craxi might last a little longer.

But, in any case, the strange anomaly by which both the Prime Minister and his superior, the President of the Republic, come from the same minority party, the Socialists, seems unlikely to last beyond the summer. The Christian Democrats can be expected to use every means to recover one or other of the posts.

Paradox

The smooth attainment of that objective is threatened both by the tenacity of Sig Craxi and the tremendous national appeal of President Pertini. He is a phenomenon — a remarkably vigorous octogenarian who has the knack of articulating in words of one or two syllables what the average Italian thinks. He has given the presidency of the republic a prestige that it never possessed before. There is little doubt that he relishes the thought of another seven year term, even though he has not declared his candidature and would be 95 by the time it finished.

The Communist, Socialist and Republican parties have all indicated that they would vote for him. But there is a paradox here: the President of the Republic is elected by the two Houses of Parliament, whose members have collectively suffered the lash of Sig Pertini's many public strictures on Italian politicians.

Many of them feel that the Italian Parliament, for all its inadequacies and inanities, deserves better than that, and they question whether he would not be better advised to retire while his popularity is at its height.

The election to a second term of President Pertini is not a foregone conclusion: the Christian Democrats have some worthy, if rather uninspiring candidates in the wings.

Italian politics do follow a contorted kind of logic, but are affected by so many variables as to make prediction impossible. Nothing is smooth and nothing is clearcut, as the feverish sessions in smoke-filled rooms that are destined to succeed the present uneasy calm are certain to show.

But for those who care about the governance of the country, it may be a relief to know that from this summer until the present Parliament expires in 1988 there are no more major elections in the calendar—unless the present Parliament fails to run its full five-year term.

Economy reaps the fruits of vitality

CONTINUED FROM PAGE 1

room; of medical schools that give certificates to surgeons who have never practised on a body; and development agencies that fund bizarre "white elephants" in the Mezzogiorno, the still-backward South of Italy. To none of these has Sig Craxi devoted much of his undoubted energy.

Encrusted, almost immutable institutions are the price of Italy's post-war political stability.

"Democracy is blocked," as Sig Ciriaco de Mita, the leader of the Christian Democrats, was once bold enough to admit. He should know: with the Communist Party excluded from power, his party has ruled without interruption since the war.

Deprived of the cleansing effect of alternation in government, the party, its allies and the opposition have created fiefdoms throughout the country in industry, administration, even the arts. Governments represent only a delicate balance between the factions and the Prime Minister has to walk a tightrope to survive at all.

Could it be otherwise?

For more than a year a Parliamentary Commission, set up when despair about the governability of the country was at its height, discussed ways of making government more effective.

These included giving the Prime Minister more power, altering the functions of the two Houses of Parliament to stop them duplicating each other, diluting an electoral system which carries proportional representation to extremes, and so on.

But a few weeks ago, the commission failed. Every political party is in favour of more power for governments, but not if its rivals might enjoy it, too. The Communist Party has no interest in strengthening a system of which it is not likely to be a part.

And, maybe, that is just as well. In a country of very diverse regions and factions, the cancelling out between them of different interests may be better than the subordination of one to another. The Visentini tax law is only one example of the kind of harsh measure that Parliament has few qualms about passing. Almost all the parties would like to dragoon the country into order if they had the chance.

The Civil Service is inefficient, but it is also ruthless, petty and very persistent. If it were united to a strong administration, liberty might be seriously at risk. It is not so much due to governments but to individuals that Italy has flourished since the war. The system is chaotic, archaic and inficient, but it still creates notable prosperity.

New Communist leader faces uphill task

Political profile: Alessandro Natta

SARI GILBERT

"HERE I am, I cannot do otherwise."

Addressing a recent meeting of the Italian Communist Party's central committee, the new party secretary, Alessandro Natta, a former high school teacher, was exercising his well-known penchant for scholarly quotations.

This time Natta was quoting Martin Luther, in German, to warn the party's adversaries that the Communists could not be expected to take the lead in working out a compromise to avoid a referendum on Italy's wage indexation process, the scala mobile.

But the 67-year-old party leader's words might also have been taken as a comment on his rather uninspiring performance in his seven-month stint as successor to Enrico Berlinguer, the popular opposition party leader, who died unexpectedly last June.

Critics, both within and outside the party, feel that Natta, though personally popular and with long years of sound party experience under his belt, so far has failed to provide the West's largest Marxist party with strong and resourceful leadership.

Grip loosened

On the positive side, whether out of design or of weakness, under the party's new leader the tight centralised grip that characterised Berlinguer's rule has been "significantly relaxed," say some observers.

But on the debit side, the problems are said to be more heavily weighted. Although Natta appears to be holding firm on his predecessor's independent foreign policy stance — he recently repeated the party's acceptance of Nato, reasserted opposition to a Moscow-dominated Communist international party, and said Berlinguer's conviction, that the October Revolution had run out of steam, was not a basic party tenet. In domestic politics there has been a zig-zag course that is confusing both to many party members and to its opponents.

Whatever Natta's shortcomings may be, he can hardly be expected to bear all the blame. Rather, the uncertain Natta stewardship would appear, so far at least, to be the expression of a party in the throes of a prolonged and difficult identity crisis.

Although the results of last year's European election finally allowed the party to boast that it had outpolled its major adversary (the predominant Christian Democrats)—albeit, by only a few tenths of a percentage point and at a time, as observers rushed to point out, when the country was in the emotional throes of a Berlinguer funeral dirge—it appears more undecided than ever as to its future direction.

In part, this is the result of today's unsettling political realities. With the socialists firmly esconced in the Prime Minister's seat at Palazzo Chigi, the opposition Communists have been deprived — some say permanently—of their natural partner for the policy of "alternative" to Christian Democratic rule with which Berlinguer several years ago replaced the no-longer popular "historic compromise" with Italy's Catholics.

But the recently-announced "Copernican Revolution," a seemingly inappropriate metaphor for tactics emphasising programmes rather than ideology as the basis for future governments, has appeared to many as an unsatisfactory substitute.

Berlinguer, the former Communist leader whose sudden death, nine months ago, left the party hierarchy shocked and unprepared. He had not groomed a successor.

Furthermore, Natta's main short-term goal—a repeat of last spring's "sorpasso" or overtaking of the Christian Democrats in nationwide local elections, scheduled for this May—could be jeopardised by major kickback scandals in two cities held up as showcases of Communist rule—Turin and Bologna.

Certainly, the decade-long performance of Berlinguer, the man who invented an historic compromise, guided the Italian Communists to the brink of rupture with Moscow and brought the party closer to power than at any time since 1947—would, in any event, have been a hard act to follow.

But seven months after Berlinguer's death, the slender, somewhat dour Sardinian Natta remains the party's major political point of reference, a clear sign that so far at least his successor has been unable to leave an indelible mark on the party apparatus.

Election

But almost certainly, the near unanimous election of this butcher's son from Liguria in north-west Italy by the party's central committee last June, was inevitable. Although Berlinguer had not groomed a successor, he had been quietly nudging Achille Occhetto, the party's propaganda chief, in that direction, when the 62-year-old leader died suddenly of a cerebral haemorrhage.

The party hierarchs — those of Berlinguer's own generation, as well as the aspiring 40- and 50-year-olds — were so shocked by Berlinguer's unexpected demise that they had not the time, preparation or energy to stake their own claims for the party's highest post. The only choice was to opt for "continuity" and a comfortable period of transition that they hoped would allow a new authoritative leader to emerge.

The obvious answer was Alessandro Natta, then 66, a small, greying man with glasses, having a professorial image rather than a charismatic air, and a liking for baggy suits.

Both men valued their privacy and both were married to Catholic wives. Natta had been a close aide of Berlinguer for 10 years, often being referred to as the party's number two man.

A congenial man, Natta's party career dates back to 1946 and includes 36 years in parliament; editorship of the party weekly publication Rinascita; a stint as a close collaborator of Palmiro Togliatti, the party's first post-war leader. He had a reputation as a loyal "Berlingueriano" and, from 1979 to 1983, held a key role as Communist party whip in the Chamber of Deputies.

Natta: seen by senior party members as more tolerant and benevolent than his predecessor.

Perhaps the most reassuring aspect to some of his electors was Natta's age, which meant that tenure would inevitably be limited in time. Indeed, Natta's insistence that he accepted the post out of duty, and will not be a secretary-for-life (as is generally the Communist rule), has led many to speculate that the new secretary may even step aside at the next Party Congress in 1987, allowing himself to be pushed upstairs to the largely ceremonial post of Party President.

In the meantime, Natta is at the helm and it would be unfair to say that he has done nothing to distinguish his rule from that of his predecessor. For the most part, however, critics lament the absence of an overall design in party positions and accuse Natta of "riding all tigers rather than selecting a particular one," as one political aide claimed recently.

Perhaps those people who are most satisfied with the new regime are several of the two dozen or so top party hierarchs in Rome who had begun to find life with Berlinguer somewhat suffocating. Non - communists, who, in the past, criticised the party for an excess of democratic centralism now complain there are too many voices speaking out. Many insiders do not, however, share this view. They see Natta as more tolerant and benevolent than his predecessor and welcome this development even if it does not really surprise them.

Strong commitment to Nato

VIEWED FROM outside of Italy, the five-party coalition Government of Sig Bettino Craxi, Italy's first Socialist Prime Minister, has maintained the two basic tenets of the country's foreign policy—support for the Nato alliance and for the European community—and has sought, with some success, to project a greater international presence.

Viewed from the decision-making trenches at the Foreign Ministry, the Defence Ministry, Foreign Trade Ministry, Agriculture Ministry or any of the other half dozen Government departments which like to get involved in the policy process, the truly remarkable thing about Italian foreign policy is that it exists at all.

Defence and foreign policy

ALAN FRIEDMAN

This is because of the inherent structural weaknesses in Italy's policy-making system: a Prime Minister who presides over a multi-party coalition of conflicting interests, and who lacks, at the Palazzo Chigi, the bureaucratic means for taking much more than a rhetorical lead on policy issues.

The political strength of the present Foreign and Defence Ministers only adds to the relative weakness of the Prime Minister. In the current siutation, the Foreign Minister is Sig Giulio Andreotti, Italy's veteran Christian Democrat politician, the "maestro" himself. Five times a Prime Minister in post-war governments and the man who controls the Rome political machine for his party, as well as a key faction which represents nearly 13 per cent of the Christian Democrat vote.

The Defence Minister, Sig Giovanni Spadolini, is a veteran centrist politician, leader of the tiny Republican Party, which in Italy stands for middle to upper-middle class values. Sig Spadolini has also served as a Prime Minister, he was the first non-Christian Democratic Prime Minister in recent history.

Pragmatic

Then there is Sig Craxi himself, a Socialist in name who has purged his party's power structure of the real socialists, and who steers a pragmatic and centrist course through Rome's choppy political waters.

Sig Craxi's critics claim he is too inexperienced internationally and, for the most part, more concerned with setting long-term policies.

"The Prime Minister cannot co-ordinate foreign policy; too many ministries take independent initiatives; ministers leave on foreign trips without even advising the foreign ministry, and our behavour can sometimes be totally chaotic. As a result, Italy is not credible where it wants to have influence," comments Dr Gianni Bonvicini, vice-president of the Rome-based Italian Institute for International Affairs.

Here are two recent examples which illustrate the problem:

● Sig Francesco Forte, Italy's Minister for European Affairs, went to Brussels recently and talked with Herr Genscher, the West German Foreign Minister, about detailed proposals for enlarging the European Community. Unfortunately, Sig Andreotti, the Foreign Minister, had already held talks with Herr Genscher on exactly the same subject, just one week before.

● After Sig Craxi's controversial meeting in Tunisia in December with PLO leader Yassar Arafat, Sig Spadolini took it upon himself to introduce the kind of balance in Italian policy toward the Middle East which he felt appropriate: he flew to Israel.

It is, of course, all too easy to criticise Italian foreign policy, for its disorder, its overblown rhetoric and the unfortunate foreign projection of domestic political squabbling which it frequently represents.

Continuity

More significant, perhaps, are the threads of continuity in Italian foreign policy which can be found in its attitudes to northern Europe and to the North Atlantic Treaty Organisation (Nato).

Since World War Two, Italy's devotion to the Atlantic alliance has never been in doubt (despite an international campaign against the influence of Italy's Communist Party in the 1970s, a campaign guided by then Secretary of State, Henry Kissinger).

Now, more than ever, Italy is a serious Nato partner—it was quick to accept in 1979 the decision by Nato's high level group to deploy Cruise missiles on its soil. This was no easy decision for Italian politicians, who feared a domestic reaction which thankfully never came. But in moving quickly to accept missiles at Comiso in Sicily, the Italians, most importantly in eyes of Washington, again proved their reliability as an ally. The Comiso decision also enabled West Germany to go ahead and accept Cruise missiles on its soil, a decision with much graver consequences at home.

Italy has always depended heavily on the U.S. for its defence and has never put difficulties in the way of Washington. In fact, Italy is now spending enough on defence to meet Washington's demand for an annual average Nato increase in real terms of at least 3 per cent (even if it is one of Nato's lowest spending members on defence on a per capita basis).

The American attitude to Italy is warm and positive: Italy causes no problems for Washington and is a good Nato member. At times, however, the American attitude towards Italy can be rather condescending, as though Italy is a "well behaved" Nato member.

While praising Italy's decision to be one of the first three Nato allies to accept cruise missiles on its soil, one American official called the move "a cheap way to step into the front ranks, spend little money and gain political capital."

Italian diplomats know better, however, and would disagree violently with this interpretation. The Italians know that accepting cruise missiles was a risk in domestic political terms. A risk which they took with no small apprehension.

Besides its commitment to Nato over the past 40 years, Italy's other most consistent policy is its commitment to Europe. This commitment will be highlighted in June, in Milan, when Sig Craxi presides over the European summit at the end of his six-month term as President of the European Community.

The Italians, perhaps more than any other member of the EEC, are convinced Europeans. This enthusiasm for the EEC runs through all of Italy's major political parties.

What can be achieved, however, during Italy's current term as president of the Community? Thorny issues related to the admission of Spain and Portugal remain to be sorted out. And Sig Craxi clearly hopes to nudge this process along. Institutional reform of the European Community and the long march towards political union are other issues to which the Italians believe they can contribute.

Among the more delicate issues in political terms is the question of whether the European Community should have a Middle East peace initiative. At the Dublin summit last December it appeared that Italy had failed to win backing from its Community partners to take an initiative—this, at least, was the impression conveyed.

Sig Craxi, however, is holding a series of meetings with prominent Arab leaders as well as Mr Shimon Peres, the Israeli Prime Minister, who last month made the first visit to Rome of any Israeli head of government. The object of this exercise is to contribute to the dialogue, not as an intermediary, but with the aspiration that common ground can be found.

Italian foreign policy traditionally has a tendency to seek out opportunities for conciliation.

"The Italians like to see themselves as mediators," says one Rome-based diplomat.

Helpful role

Beyond the solid commitments to Nato and Europe, Italian foreign policy becomes far less ideological and far less consistent.

"They are mercantile. They will talk to anyone and sell to anyone," remarks a Rome-based foreign diplomat.

"To really influence situations in the Third World you need to be powerful and you need a clear strategy. Italy has neither attribute," declares Dr Bonvicini.

In the medium-term, Italy can be expected to continue to seek to play a helpful role where it can in the Middle East, to follow Nato decisions regardless of the government in Rome and to support the quest for greater European unity.

Italy wants to project an international presence, and given the constant melodrama of political life in Rome, projecting foreign policy through trips and negotiations is a good deal more rewarding for Italian politicians, as well. What is needed, perhaps, is more co-ordination at home.

Far-reaching changes ahead

THE ITALIAN financial system feels itself to be on the edge of a far-reaching process of change.

This is made possible by a steadily falling inflation rate, several important modifications to the regulatory environment of the banks and, not least, a widely shared belief that new life can be breathed into institutions and market mechanisms that have long been stunted and dust-laden by the standards of other advanced industrial economies.

Banking and finance

ADRIAN DICKS

Where the process of change may lead, and how rapidly it may unfold, no-one can say. The cautious, and even slightly disbelieving, self-confidence of the financial world could easily be dented by a significant retreat on the part of Sig Bettino Craxi's Government from its stated objectives of checking the rate of growth of the public sector borrowing requirement and using its influence to ensure a continuing moderate rate of wage increases this year. There is also no shortage of scepticism as to how deep the commitment to change really runs among Italian bankers, brokers and corporate executives.

Yet in several areas, there may be no going back. The Bank of Italy, which has throughout the post-war period served as the spine of the financial system, has willingly relinquished its powers to control, and even exercise "moral suasion" over, the volume of banks' lending.

It has also relaxed its traditionally strict rules as to what sort of lending banks may undertake, contenting itself with the use of interest rates and compulsory reserve requirements to influence monetary developments.

Supervision

At the same time, the central bank has been systematically tightening its prudential supervision of the Italian banking system since 1981 — a policy that was not far enough implemented to have been able to prevent the Banco Ambrosiano collapse, but which officials hope will help repair any lingering damage from that unhappy affair to Italy's international standing.

The Bank of Italy has taken steps to make banks produce consolidated, worldwide accounts including more information on foreign branch operations and on intra-group transactions.

It has set up a structure to analyse country risk, and it has taken powers to withdraw any Italian bank's authority to participate in a foreign entity if it is not fully satisfied with the flow or quality of information reaching it. And while the Bank of Italy has not yet got a firm grip on the Istituto per le Opere di Religione, the Vatican bank, it had the grim satisfaction of seeing the Vatican publicly humbled last year when the IOR paid some $250m over to foreign creditor banks of Banco Ambrosiano.

If the central bank's concern to improve the supervisory structure and to press for more effective international co-operation among regulators has caught attention abroad, the changes it has brought about within Italy are also beginning to make themselves felt.

The commercial banks are now free, in theory, to set their own interest rates and are competing with one another for funds. In the words of Dr Lucio Rondelli, managing director of Credito Italiano, "after a long period of being administered, the market can express itself again."

In some respects, this awakening is proving a rude one. Banks are finding out that, in the quest for funds, some are more equal than others. Institutions with the strongest capital bases, or with the widest deposit-collecting networks, are better placed to compete aggressively for customers' loan business than those obliged to fund themselves on what is currently an expensive money market.

Professor Gianni Zandano, chairman of Istituto Bancario San Paolo di Torino, is one banker who believes that the stronger banks will be drawn increasingly to take over regional and local institutions with an attractive deposit-gathering base.

Last summer he put his belief into practice, not for the first time, with the acquisition of Banca Provinciale Lombarda, based in the prosperous Bergamo area.

He argues, too, that "the need for an ever greater slice of the country's savings has induced Italian banks to offer new financial products to all their customers, and above all to households as they now constitute the main lender to banks."

Although often accused of overstaffing and inefficiency in their retail operations, big Italian banks are keen to demonstrate how hard they are now trying to woo the private customer.

They are justifiably proud of the national Bancomat system, offering automatic teller services based on a card whose specifications are common to all issuing banks. An improved automatic transfer system is being introduced in some areas, while a national credit card based on the Eurocard is planned.

It is small wonder that the Italian private customer should find himself or herself so keenly sought after. Italians, on average, save some 20 per cent of their after-tax income—among the highest ratios of any nation—yet borrow relatively little. That is perhaps understandable at current interest rates; in mid-February, banks were paying about 14 per cent on three-year savings accounts. They were charging a notional 17 per cent prime rate to corporate customers, with small business and personal customers paying well over 20 per cent for funds.

According to Sig Enrico Braggiotti, joint managing director of Banca Commerciale Italiana, demand for loans from Italian banks rose between 12 and 13 per cent in 1984, a surprisingly strong performance given relatively moderate economic growth of around 2.8 per cent and a relatively low level of business inventories.

As Sig Braggiotti is quick to point out, however, much of the 1984 demand for loans included those to customers, including companies who promptly reinvested the proceeds in tax-free Treasury securities.

Funds

A long succession of weak governments, unable to implement unpalatable cuts in state subsidies or social services, has left the Italian Treasury with a seemingly insatiable appetite for funds, as well as with the legal means to add such frills as tax-exemption to its paper in order to be able more easily to scoop all it needs out of the national pool of savings.

By some calculations, as much as half the nation's savings are invested in Treasury securities, much of this directly as part of a process of disintermediation that causes bankers concern.

Official economists have themselves been sufficiently concerned at the distortions caused to the financial system to have prompted a change in tax regulations that effectively prevents companies from funding their Treasury bond positions with bank loans.

Yet closing this relatively small tax loophole is unlikely seriously to have deprived the Treasury of funds at a time when many Italian companies are flush with cash, and when "fugative" funds smuggled to Switzerland and beyond a few years ago is being tempted back to Italy by the strength of the economy and the high level of interest rates.

It is hard for any participant in the Italian financial markets to ignore for long the huge shadow of the Government deficit.

All the same, investors have a wider choice of instruments in which to place their money than at any time in the past. Cheered by the performance of Wall Street and fuelled by the strong financial results of leading Italian industrial companies over the past couple of years, the Milan bourse has surged to new record levels.

Dr Guido Vitale, founder and chief executive of Euromobiliare, the Milan investment bank, detects a cultural change in Italy whereby "not only Communists, but Catholics, too, have become reconciled to profit. It is no longer a sin."

He also points to the change that has come over the financial markets since the days when "people had good reason to stay away; there were no audited accounts and directors could hide things if they wanted."

By contrast, listed companies are now obliged to present audited reports and accounts while the Consob, the stock market's regulatory agency, has been given new supervisory powers and is being widely credited with starting to carry out its duties more rigorously, even if some are suspending judgment until it has won a major victory or two.

By general consent, the most exciting recent financial development on the investment scene has been the rapid growth of mutual funds since they were first given the go-ahead last summer. Over a dozen are already operating, and have attracted an estimated L2,600bn (£1.3bn) of small investors' savings.

Prospects

Another 20-30 are thought to be close to being launched. In a narrow market, where private investors had become virtually extinct and where a few large groups controlled by the country's most powerful financiers had long been dominant, the mutual funds introduce several novelties which, the optimists argue, could greatly expand the bourse as a channel of equity capital to Italian industry.

There are hopes that the funds' professional managers will help raise standards of corporate behaviour as well as of financial disclosure. The growing interest shown in the Italian market by foreign institutions may work towards the same objective.

Dr Carlo Azeglio Ciampi, Governor of the Bank of Italy: taking stronger action

In the longer term, the growth of the funds, by supplying the liquidity to sustain prices and trading volume, could help entice more companies into issuing quoted shares.

The process is likely to prove a slow one; Dr Vitale, whose firm led five of last year's seven new equity issues, points to the scepticism that greeted several of these (unjustified at recent price levels) and says he sees little prospect of a flood of new companies to the Bourse in 1985.

The market's recent strength leads some experts, such as Sig Urbano Aletti, a leading broker and former chariman of the Milan stock exchange, to fear a shortage of paper. A series of rights issues last year, led in size by Fiat's L675bn issue, was easily absorbed by the market; brokers expect others to follow this year. Yet only some 150 stocks are listed in Milan, and of these only around 30 enjoy an active market.

"With an economy the size of ours, there ought to be at least 1,000 companies quoted," Sig Aletti says.

He also points out that the equity market's total capitalisation is only about one-twelfth the size of the state debt. Huge changes are likely to be needed in the structure of Italian industry before that figure significantly changes.

The controversy rages on

New taxation measures

DAVID LANE

THERE WAS more than a touch of strait-laced morality to the recently concluded campaign to introduce tougher measures in Italy's fight against tax evasion.

Standing on the side of righteousness were regiments of taxed-at-source employees and the vocal battalions of upright trade unionists, with Bruno Visentini, the Finance Minister, at their head.

On the other side, the ranks of the less righteous were filled with doctors, lawyers, shopkeepers, tradesmen and vast armies of supposed tax "evaders" unwilling to bear their share of the fiscal burden.

The war of attrition between the authorities and Italy's hordes of reluctant taxpayers has been going on for several years, but in the recent campaign it reached previously unrecorded heights of animosity.

"Really disgusting," is how Signor Visentini described the low levels of income declared, and tax paid, by the self-employed and professional classes, details of which were published last Spring, in a ministerial "white book."

"I pay taxes, how about you?" was the theme devised by the Socialist trade union, Unione Italiana del Lavoro (UIL), to highlight the division between the two camps, emphasising the sense of moral superiority among its followers, and isolating and demoralising the evaders.

Mean streak

But if UIL's theme showed a wicked streak, the facts presented by the trade union were even meaner.

Using the technques of candid camera, camouflage and Q-ships, trade union officials and helpers carried out ther own field research to prove that tax evasion is a well-entrenched reality in Italy, and is far from being a figment of their imaginations or that of Signor Visentini's.

From headcounts in Rome's most popular bars and coffee houses, and using other parameters of commercial activity, UIL made estimates of turnover and compared these with what proprietors actually declared. The differences were considerable.

Not content with illuminating the activities and taxes of the capital's bar proprietors, UIL also turned its spotlight on shopkeepers and doctors, giving figures and a sample of names.

This moral campaign was not without its critics, however. The public prosecution and trial of individuals by the trade union was considered by many, even taxpayers, to be improper.

Finance Minister Bruno Visentini: he described some low-level declarations of income as "really disgusting"

Social justice and fiscal reform may be eminently reasonable objectives, but this cannot justify trade unions playing at tax inspectors, lawyers said.

Misgivings have also been expressed about the way that the Italian press publishes the names, incomes and the tax paid by the country's biggest (declared) earners.

But the analysis of 1981's tax returns, the figures whose publication last year caused Signor Visentini's angry reaction, provides a clear insight into the reason for the trade union's aggressive and unconventional approach to exposing the lack of fiscal equity.

While Italy's 1m shopkeepers declared, on average, an income of L6.5m, shopworkers on the payroll could not avoid being taxed at source on earnings of L8.3m. And while tradesmen and small factory owners declared incomes of L7.6m, on average, the country's 5½m industrial workers each received L9.2m in their pay packets.

"It is just not credible that the boss should earn less than his workers, and that the shopowner should make less money than the girl behind the counter," said a Communist trade unionist. It also seems improbable that Italy's lawyers (average declared income of L10.6m in 1981) and doctors (L12.1m) should have earned amounts which were not significantly higher than their secretaries or receptionists (L8.9m).

A decree law was passed and published on December 19, thus ensuring that the measures became effective from January 1, and the decree was then endorsed by parliament, albeit on a vote of confidence, and converted into law narrowly within the constitutional 60-day time limit. Only six months had elapsed between the first discussions of Sig Visentini's proposals in August and their definitive parliamentary approval in February.

The legislative package contains three measures which particularly disturbed Italy's self-employed and professional classes. Indeed, shopkeepers and tradesmen were so upset by the proposed changes that twice during the autumn they shut up shop and pulled down the shutters en masse, in an attempt to obtain some softening of the rigid Visentini line.

Armoury

The three measures designed to reinforce the authorities' armoury in the fight against tax evasion are changes in the rules regarding income splitting in family concerns, the introduction of a forfeit system for calculating value added tax and income tax for the self-employed and small firms, and the introduction of inductive tax assessment.

Until the Visentini law, income in Italy's numerous family concerns could be split between the owner and those members of the family helping in the business, thus allowing the overall tax burden to be reduced. Now only 49 per cent of the business's net income can be split between the family.

Moreover, the new legislation requires that the work of family members must be continuous and significant, and their participation must be officially registered in order for income splitting to be fiscally acceptable.

Even harsher is the new way in which VAT will be calculated and costs offset against income under the forfeit system, applicable to small businesses keeping simplified accounts.

The legislation lists two sets of coefficients (one for income tax and the other for VAT) for the various categories of profession and business activity.

Bar owners can now only offset 37 per cent of gross income, together with rent, staff labour costs, depreciation and interest charges, as tax deductible costs. This coefficient covers all the costs of raw materials and general and overhead expenses.

In the case of self-employed professionals, the forfeit coefficient is 16 per cent and this figure covers all telephone, lighting, travel and hotel expenses. Moreover, interest charges are no longer tax deductible.

But the third measure, causing most sleepless nights, is inductive tax assessment, to which people and businesses using simplified accounts are exposed. Where irregularities are proven in the preparation of invoices, goods-in-transit notes, or fiscal receipts, or where there has been a failure to make annual VAT or income tax returns, tax officials will be allowed to rectify returns and lay down what the individual or business has earned.

Not surprisingly, there have been widespread expressions of concern at the arbitrary nature of this method of tax assessment, and the extensive possibilities which it offers to people in the tax-collecting bureaucracy for abuse and corruption.

But objections over-ruled, the battle over and the 70-year-old ministerial victor looking towards retirement, the Visentini package is now law.

What effect will this have in real terms on Italy's masses of tax evaders?

Have they been frightened, and will they now join the ranks of the law-abiding, burden-sharing taxpayers?

The answer is that probably some will be totally won over, others will be partially reformed, lapsing every now and again into wicked ways of tax evading, and the rest will remain completely indifferent, as though Visentini had never been.

As with all new measures it is essential to keep a sense of proportion. When consecutively numbered goods - in - transit notes were made compulsory about five years ago there was great concern, among businessmen, that this would put a total stop to unrecorded income from black sales.

Anxieties

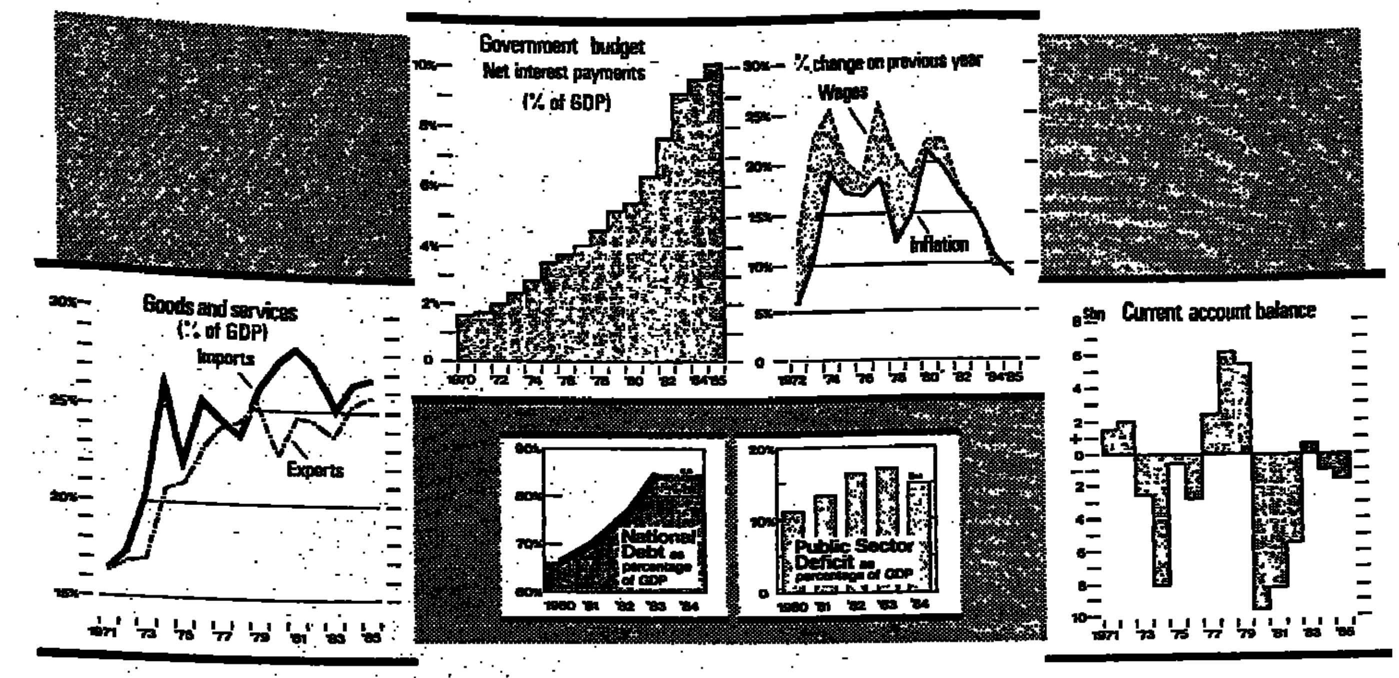
Similar fears were expressed over VAT invoices and fiscal receips, but the vast inventiveness of Italy's reluctant taxpayers and their non-aversion to risk-taking has enabled them to overcome these anxieties.

Certainly there are penalties and threats of "handcuffs for the evaders." But how seriously can they be taken, or should they be taken seriously at all? In a blitz raid by the fiscal police early in February, Rome's famous Caffè Greco was ordered to shut for an offence allegedly comitted 18 months earlier, and for which a fine of over L7bn (about £3.3m) has been imposed.

Italy's legislators seem to be fixed on harsh deterrents. The Visentini law foresees prison sentences of up to five years, as well as fines for those who are caught stepping out of line.

Unsuspecting tourists are already liable to be seized and fined by the fiscal police if they fail to obtain fiscal receipts wherever they spend their much-sought foreign currency. And the poor Italian who struggles through mammoth and incomprehensible tax returns will be fined up to L1m (£450) if he simply fails to write his 16 digit fiscal code number correctly.

The UIL trade union is probably not far off the mark in pointing to "stupid severity" as a weakness in the system.



Italy's economy is now stronger, but further Government action is essential to consolidate economic achievements

Hard-won successes

THE ITALIAN economy enjoyed its sunniest year this decade in 1984. It finally broke out of recession and expanded by 3 per cent—faster than any country in Europe, except Denmark. Inflation fell below double figures for the first time since 1973, and the Government almost hit its borrowing requirement target.

This year, however, the prospects are already a little less cheerful. Italy's trade deficit is causing anxiety; the Government does not seem to be making inroads on its mountainous deficit; and the prospects for further bringing down inflation are threatened by the unguided missile launched by the Communist Party in the form of a referendum on wage indexation.

Economic recovery

JAMES BUXTON

The successes of 1984 were a hard-won reward for those officials and ministers who for years have striven to influence those few parts of the economy which are susceptible to control.

Unlike other countries, Italy cannot really use public expenditure to regulate demand: the political system always dictates that more money rather than less should be spent, and that current spending takes precedence over capital outlays.

Mainly because governments shouldered vast health and pension commitments in the late 1970s, public spending in Italy rose from 45 per cent of gross domestic product towards the end of that decade to 58 per cent in 1983.

It was far less easy to make taxation rise in step—its proportion of GDP went up only from 36 to 42 per cent, leaving an immense gap to finance.

Abundance of spending

The sheer abundance of government spending at least ensured that the recession in Italy after the second oil shock was never very deep—the actual decline in GDP was minimal. On the other hand the deficit, exceeding 15 per cent of GDP, fuelled inflation and between 1981 and 1983 the cost of living index only came down from about 18 per cent to 15 per cent.

The authorities' only real weapon of economic management has been monetary policy. Whereas, in the past, the Bank of Italy was prepared to print money to fund the Government deficit, it has since 1981 insisted that the Government borrows every lire of it, mainly by issuing treasury bonds which have become by far the most popular form of investment for Italians, even factory workers.

The other side of the coin, however, has been very high interest rates, the crowding of the private sector out of most financial markets, and tight restrictions on bank lending (which have only lately been loosened somewhat). Even now, the official discount rate is still 15.5 per cent, compared with an inflation rate of 8.6 per cent. Many companies still pay around 20 per cent interest for their money.

Governments have, however, been able to influence the economy by tackling the pernicious wage indexation system, the Scala Mobile. If the deficit and imported inflation are the two most important causes of Italian inflation, the quarterly triggering of the Scala Mobile has at least reinforced it and kept up inflationary expectations.

After two years of talks, Government, unions and employers finally agreed in January 1983 to cut the degree of protection against inflation given by the Scala Mobile from about 80 to about 65 per cent. But the cut in indexation was not enough to make a serious dent on inflation and last winter the government of Sig Bettino Craxi tried again.

It failed to get the consent of the Communist CGIL trade union to a voluntary agreement, but instead, with the consent of the other two unions and of the employers, ordained that the Scala Mobile would not compensate for more than a certain level of inflation in the first half of 1984. The Communists protested in the streets and tried desperately to block the measure in Parliament, but, in the end, it passed and a crucial four index points were lost—for good, as it seemed.

With the help, too, of a fortunate drop in the price of many imported raw materials (despite the rise in the dollar), inflation fell from 12.6 per cent at the end of 1983 to 8.6 per cent by the end of 1984. Companies both large and small, had been forced in the previous few years to become more efficient by the high cost of money and by the closing of the escape route of easy devaluation when the lira joined the European Monetary System: now they were able to take advantage of a stronger domestic market and some good export markets.

Even the Treasury, directed by the Christian Democrat Sig Giovanni Goria, succeeded last year in keeping its deficit to virtually the same level as it reached in 1983 — about L93,000bn.

The deficit, therefore, fell slightly as a percentage of GDP to about 15 per cent—but still several times greater than the deficit of almost any other industrial country. Part of the improvement, however, was due to what has been called creative accounting.

But not all the indicators were satisfactory—the balance of payments current account, which was wrenched into a modest surplus in 1983 after years of vast deficits, is thought to have recorded a deficit of more than L5,000bn in 1984—considerably more than had been expected. The trade deficit was an all-time record in nominal terms—L19,206bn.

Part of the deterioration was due to the recovery itself—higher imports of energy, raw materials and semi-finished goods, and greater domestic demand, which naturally distracts companies from exporting. Exports, in fact, rose more slowly than the rate of growth of world trade.

Though exports to the U.S. grew by nearly 70 per cent, as Italian companies capitalised on the strong dollar, sales to EEC countries fell as a proportion of total exports and sales to the Opec countries and East Europe stagnated, partly because of the difficulty of arranging sufficiently attractive finance.

In fact, the lira has once again become a problem for Italy—but this time because of its strength. Last year it appreciated by 1.5 per cent against all currencies, even taking into account the inevitable fall against the dollar. Its strength in the EMS has weakened Italian competitiveness in European markets, such as West Germany, but little can be done about it as the dollar continues to rise: a devaluation in the EMS, as was urged in some quarters recently, would simply cause further devaluation against the dollar which is rising anyway. And even if the balance of payments last year was not particularly good, there was a net capital inflow which boosted foreign currency reserves by about L4,000bn—all of which should help to service the external debt which doubled to over $50bn during the second oil shock.

Few benefits in the South

The current boom has done almost nothing to reduce unemployment, which remains at ten per cent (more, if you count the hundreds of thousands of workers who are on permanent lay-off at Government expense). Nor has it done much to help the South, where there is too little industry to benefit.

Yet the economy now feels stronger — though it never lost its sense of dynamism, even in the recession — and the Milan Stock Exchange is enjoying a boom unprecedented since the speculative bubble of 1981. The forecasters predict growth of about 2½ per cent for this year, only slightly lower than 1984.

But whether the fall in inflation will be sustained to reach the official target of an average rate of 7 per cent, looks doubtful. Unless the Government screws up its courage and holds down the pay of its own millions of employees — and does this just before this May's important local elections—wages are set to increase by about 10 per cent, well over the 7 per cent target.

Not only is there no initiative underway this year to have another bite at wage indexation, but the referendum on last year's cuts in the Scala Mobile (discussed in an adjoining article) could add another 1½ per cent to wage costs this year.

There is little sign yet of the composite deal on labour costs and indexation which alone would prevent the referendum being held and further reduce the Scala Mobile.

Rising tax revenues

Even if a thorough reform of labour costs is achieved, the economy will be hobbled as long as the public sector borrowing requirement remains so vast. Despite the fact that Dr Carlo Azeglio Ciampi, Governor of the Bank of Italy, last year made the most sustained effort so far of his many attempts to bring home to the Government the gravity of the situation, it is far from clear even that the tide of deficits has turned.

Already it looks as if the budget deficit this year will be at least L99,900bn, instead of the L96,000bn in the original forecast, and the figure could easily go up by a further L10,000bn.

Even if that does not actually mean a rise in the deficit as a proportion of GDP, the percentage is hardly likely to fall below the 15 per cent of 1984. Revenue is increasing, thanks in part to the Visentini tax package, but virtually nothing is being done to curb spending, or the waste that it involves.

The continuing deficit means that interest rates are unlikely to fall substantially and the accumulated debt will go on marching upwards. Last year it grew by about 20 per cent, passing by several percentage points Italy's entire GDP. The higher the accumulated debt becomes, the more the Government must spend just to service it.

The Central Bank has no intention whatever of slackening its monetary policy (though it has made some small improvements in the way the deficit is financed) and the moment could be approaching when the deficit becomes unsustainable: when the rates of interest on Government paper fail to convince savers that the Government will be able to honour them.

The politicians cross their fingers and trust that will never happen.

ARGUMENTS OVER SCALA MOBILE WAGE INDEXATION

Uncertainty over referendum issue

THE GREATEST single uncertainty for the Italian economy is the possible referendum on last year's reduction in the Scala Mobile wage indexation mechanism. It could produce either serious conflict in labour relations, or a thorough-going reform of the pay structure, or possibly both.

The Communist Party never accepted the Craxi Government's action last spring in temporarily limiting the protection against inflation provided by the Scala Mobile. It argued that such issues were for voluntary agreement between unions and employers. After the law was ratified by Parliament, Sig Alessandro Natta, the party's new leader, launched a campaign for signatures for a referendum on the issue.

Some 1.5m signatures were collected, three times the legally required minimum. The referendum on the law, which had the effect of cutting four points (worth L27,200 a month) off workers' pay, was judged legitimate by the constitutional court in January.

The court said that the referendum must be held between mid-April and mid-June. If the majority voted for the cancellation of the law, wage earners would not recover the pay rises they had lost since February, 1984. But the index would be updated to take account of the four lost points and therefore monthly wages would rise from after the date of the referendum.

The Government now has two options:

1. It can allow the referendum to go ahead. The general assumption is that most Italians would vote for higher wages. This is not certain, however, since only a minority of the electorate directly enjoys the Scala Mobile.

2. It can persuade unions and employers to reach an agreement on pay and indexation which would change the rules so drastically that the Government could persuade the constitutional court that the referendum would be irrelevant.

The three union federations all of which in differing degrees deplore the referendum idea, have made proposals for avoiding it, as have the main political parties.

The union proposals all agree that the Scala Mobile must be reformed to operate on a six monthly, instead of on a quarterly basis, which is a significant advance. But they differ on the degree of cover against inflation that the new system would give, with the Communist-majority CGIL Union wishing to go back to something akin to the situation before the 1983 reduction of wage indexation. The CISL union wants a two-hour reduction in weekly working hours.

Warnings

Confindustria, the Employers Association, would like to see negotiated settlement to avoid the referendum provided it implemented its own demands for: greatly reduced indexation, wider differentials between workers to reward skill, and greater labour mobility.

It warns that if the referendum goes ahead and the electorate votes for abrogation, it will cease from next year to honour the agreement under which employers pay wage increases under the Scala Mobile — something it is fully entitled to do.

A voluntary agreement between the parties to avoid a referendum would mean from the Government's point of view, allowing the Communist Party to play a determining role in pay negotiations and in the running of the economy—something the Government dislikes, particularly in the run-up to the regional and municipal elections in May.

The unions would like to reach a voluntary agreement to avoid the referendum, but are deeply divided between themselves.

If the referendum goes ahead and produces a majority for abrogation, the Confindustria's response is bound to cause strife on the shopfloor. There are, however, those in Confindustria who believe that a tough response by the employers would put it in a strong bargaining position with the divided unions.

JAMES BUXTON

Signs of aggressive industrial expansion

Larger companies now more confident

BETWEEN NOW and the end of 1987, Fiat, Italy's giant car manufacturer and largest private sector industrial company, expects to have completed a L8,000-9,000bn (£3.5-4bn) programme of investment in new models and in research and development.

Of this huge sum, shareholders last autumn put up some 8-9 per cent, or around L675bn, in the company's rights issue on the Milan stock exchange—the largest equity issue ever carried out in Italy.

Private industry

ADRIAN DICKS

Borrowed funds, whether loans from Italian banks or bond issues, are currently expected by Fiat executives to contribute nothing at all; the company says it will be able to meet over 90 per cent of the cost of its future plans from its own cash reserves and earnings.

Five or six years ago, such confidence on the part of any Italian company would have seemed wildly implausible. Years of high wage inflation, industrial unrest, eroded foreign markets, mounting losses and snowballing debts appeared to threaten the very existence of a competitive industrial sector. The turning-point for Fiat is widely seen to have been a turning point for the nation itself, for which the Turin motor group is the outstanding symbol of private enterprise.

It came in the autumn of 1980, when Fiat management threw down a challenge to the trade unions over the issues of productivity, labour flexibility and industrial rationalisation involving mass job cuts.

Productivity

At the end of a tense, five-week strike some 40,000 Fiat employees marched through the streets of Turin demanding the right to return to work. Since then, events have moved steadily in management's favour.

Productivity between the end of 1979 and the end of 1984 has risen from 14 cars a year per worker to 26. Absenteeism has fallen from 20 per cent to a "physiological" 4-5 per cent over the same period, while during the three years 1981-84, the workforce fell from around 300,000 to 230,000 people.

The company's financial turnround has been equally remarkable. From a group loss of L240bn in 1980, profits have risen steadily to L253bn in 1983, a figure that is expected roughly to double when the company reports its 1984 figures.

The company has told investment analysts that by 1987 it expects net profits to reach L1,200bn, equivalent to a 15 per cent return on equity. Net debt has been reduced from L7,000bn to under L4,500bn in 1984, down from 34 per cent to 18 per cent of sales. The ratio of debt to equity declined from 1:1 in 1983 to 0.8:1 last year, and is due to drop by 1987 to 0.3:1.

Striking as the Fiat example is, it is far from unique. Montedison, the country's leading chemicals group, produced results last year showing it had sharply reduced its losses and had begun to reap the benefits of a long process of reconstruction.

At the operating level, the group achieved a profit of L853bn in 1983, up from L620bn in 1982, while it achieved an operating profit of L600bn during the first six months of 1984 and has forecast that last year as a whole might see a return to break-even — only two years after losses reached a record L750bn in 1982.

Large sectors of Montedison's business have been reorganised, with product lines simplified and loss-making subsidiaries sold off. The company has been seeking to concentrate on higher added value and fine chemicals, and in pursuit of this it has disposed of much of its petrochemicals capacity to ENI, the state-controlled energy group, while pushing into the U.S. market through joint ventures with Hercules, the American chemicals group.

Olivetti, Europe's biggest and most ambitious data processing and electronics group, has transformed itself in little over five years from predominantly mechanical rather than electronic office equipment maker. It has made itself noticed through a series of acquisitions in and outside Italy over the past couple of years, the most recent of which was its £10m purchase of 49 per cent of Acorn, the financially troubled British microcomputer maker, in mid-February.

Behind the Italian company's numerous deals, many involving its taking minority positions in chip makers, software houses and smaller computer producers, lies a clear strategy intended to bring Olivetti closer to world-wide competition across a wide range of products with International Business Machines (IBM).

The keystone of this strategy was apparently intended to be the company's agreement with American Telephone & Telegraph just before Christmas, 1983, where AT & T, then freshly separated from its U.S. telephone operating companies, would provide communications technology to complement Olivetti's data processing expertise. AT & T bought 25 per cent of Olivetti for $260m, further strengthening the Italian group's increasingly solid cash position.

In late-February this year, however, Olivetti openly expresed impatience with the results to date of this ambitious alliance, reproaching its big American partner with lack of commercial drive in competing with IBM, and declaring that it would carry out a further sweeping reorganisation of its U.S. interests as a whole.

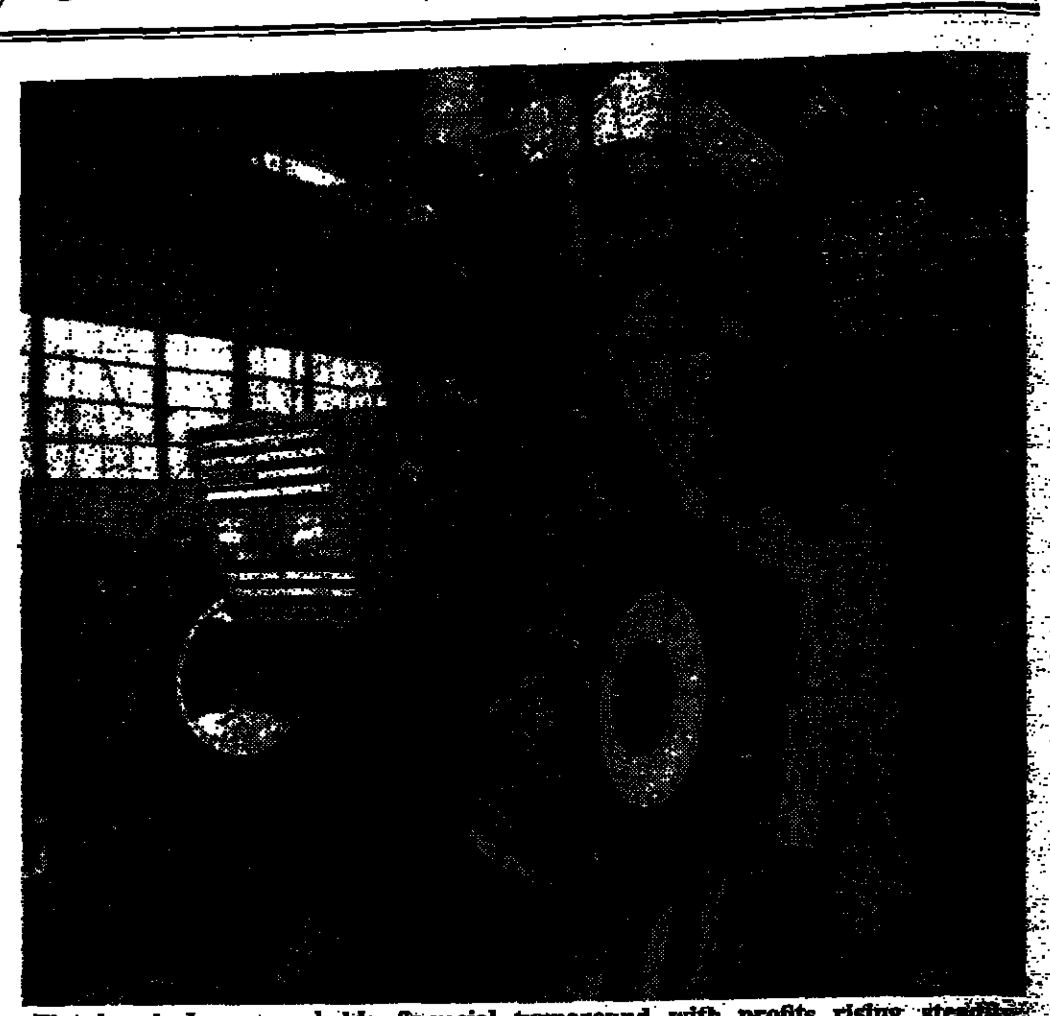
Expansion

The renewed self-confidence and more aggressive expansionism of big Italian companies appears to be mirrored by smaller ones — although in a country where detailed financial information is sparse, there are few statistics to demonstrate the point.

Low inflation and a relatively strong export market over the past few years have caused profitability to soar; by all the available evidence, businesses large and small are cash-rich and, at a time of high interest rates, well able to generate the funds they need for investment out of their own resources.

Italian bankers point to a qualitative improvement in the corporate financial structure as part of the explanation of why the pendulum seems to have swung back both so far and so fast towards private enterprise. Sig Enrico Braggiotti, joint managing director of Banca Commerciale Italiana, says that much of the industrial investment of recent years has been relatively modest in financial terms and directed primarily towards the automation of production processes and control systems: "As a result of computers and tough times, there has been a reduction in the need for working capital from the banks that is probably permanent."

Two examples illustrate the point. Benetton, the fashion clothing manufacturer with a world-wide network of owned and franchised retail outlets, is one company that has used computerised ordering and information systems almost to eliminate inventories by gearing production closely to current demands. Similarly, Fiat has largely put in place a sophisticated system linking dealers, suppliers and sub-contractors to its factories which will largely eliminate stocks of cars by enabling a customer virtually to have built to a order a vehicle incorporating the precise range of features he or she wants.



Fiat has had a remarkable financial turnaround with profits rising steadily. Above: tractor assembly at the company's plant in Modena

Improvement

Italian businessmen hope that such steps as these will help consolidate the financial improvements they have achieved and thus to withstand better the next downturn of the business cycle. Yet the outlook is not entirely cloudless. The business community, though it has little sympathy for government, is only too well aware of the difficulties facing Sig Bettino Craxi's Government as it seeks to grapple with the huge budget deficit and with the future trend of wages.

Inflation is low by Italy's own standards over the past decade and is still falling, yet at about 8½ per cent year on year at the end of 1984, it is still above the average of the rest of the European Community. Average unit labour costs, according to Banco di Roma economists, rose by only 5.3 per cent in 1984 compared to 16.7 per cent in 1983, but far from believing there is scope for further reductions, many businessmen appear resigned to paying wage increases this year.

Much will also depend on the outcome of the delicate tripartite negotiations taking place in Rome over the Communist initiative on the extension of the scala mobile wage indexation mechanism.

Large reductions in labour have been achieved by major companies in several cases, with at least the acquiescence of the unions, yet business continues to complain that the balance of advantage of Italian employment legislation remains tilted heavily against employers.

The widely used practice of contracting out much of a company's manufacturing and assembly work represents an effort to circumvent the legislation with the consequence of pushing much of the workforce into the submerged, or black, economy.

Although smaller businesses are more accessible to the taxman than they used to be, the temptation to keep a company small enough to duck out of heavy social payments and labour law restrictions remains strong.

PROFILE: THE LEADING INDUSTRIALIST, GIANNI AGNELLI

The uncrowned King of Italy

THE SMILE is as beguiling as ever, the tenor voice with its Patrician accent mesmerises as it always did, the craggy face is even more distinguished. Gianni Agnelli continues to emanate a relaxed sense fo immense power.

The chairman of Fiat, easily the country's biggest private enterprise, has been the most important figure in Italian business since the mid-1960s. But only in the past year or two has he regained the lustre he enjoyed a decade ago, when his every move, whether in business or social affairs, not to mention his every sartorial whim, was admiringly chronicled in Italy and abroad.

For only in the past two years or so has it been obvious to everyone that the Fiat group has recovered from the serious trouble it was in at the end of the 1970s. Now, with its French rival Renault in difficulties, the strength of the Italian company based at Turin, in Piedmont, is even more striking.

Agnelli family

It shows in the self-confidence which is now palpable in any Fiat executive and in the fact that both the company and the Agnelli family (which owns a third of the group) have once again been expanding their interests in Italy.

Gianni Agnelli, who is now 63, was brought up to expect both wealth and power. From the age of 14, when his father was killed in an air crash, he was raised under the tutelage of his grandfather, Giovanni Agnelli, the founder of the business. By then, Fiat was already a major company.

After the Second World War, Fiat adapted happily to the economic boom and to foreign competition—which it had been largely spared under Mussolini—and retained its commanding position in the Italian vehicles industry.

Its expansion was guided by an outsider to the family, Vittorio Valletta, while Gianni, having qualified as a lawyer, lived as a playboy on an income said in 1950 to be U.S.$1m a year.

But a near fatal car crash in 1952 jerked him into taking life more seriously and he got married and began an active role in the company, becoming its managing director in 1963 and succeeding Valletta as chairman in 1966.

It was a time of continuing fast growth but also of rising labour unrest. When the oil shock of 1974 came, Fiat made what soon turned out to be strategic errors: It convinced itself that the future lay with public transport and so slowed work on developing new cars and expanded in other fields such as earthmoving equipment. It spread itself more widely abroad.

By 1978 is was obvious that this policy was not working and that the now grossly over-manned concern needed a radical shake-up and retrenchment. But the crucial steps in the recovery process — the sacking in 1979 of workers who were also terrorists, and the defeat of the unions in a strike over massive lay-off plans in 1980 — were carried out under a harder brand of managers to whom Gianni Agnelli gave increasing power.

Just before the historic strike of 1980 the managing directorship passed from Umberto Agnelli, Gianni's younger brother, to Cesare Romiti.

These tough new men, who also include Vittorio Ghidella, the managing director of Fiat Auto, are, in the cricketing metaphor, players rather than gentlemen. It is they who have had to display the iron fist of Fiat to the unions, to its disorganised suppliers and to other Italian industrialists whom it wanted to goad into greater assertiveness.

The chairman, on the other hand, was able to use his immense charm to soothe the anxieties of politicians and convince everyone that what was happening at Fiat was in the country's best interests.

For while Gianni Agnelli can be as unsentimental as any businessman in striking a deal, there is in him a strong streak of the conciliator. No doubt he also feels the responsibility of a man to whom Italians look to an almost exaggerated degree for guidance on what to think about their governments, and is aware that the power of Fiat — in a country that has no monopolies legislation — needs to be wielded discreetly.

Profits

Thus, when the directors of Confindustria, the employers' association, voted last year on whether or not to accept the relatively modest reduction of wage indexation, Sig Romiti, the hawk, voted to reject it as inadequate, while Agnelli voted in favour and probably swayed the majority.

Now that the years of retrenchment and withdrawals by Fiat are over and the company is making increased but still small profits, Gianni Agnelli can again consolidate his empire. The Agnelli's tentacles stretch into many of the major Italian businesses.

A common thread to many of the Agnellis' operations both inside and outside Fiat is that they usually involve business in Piedmont—such as Cinzano, the wine company, Toro, the Turin insurance company, and Unicem, the cement maker.

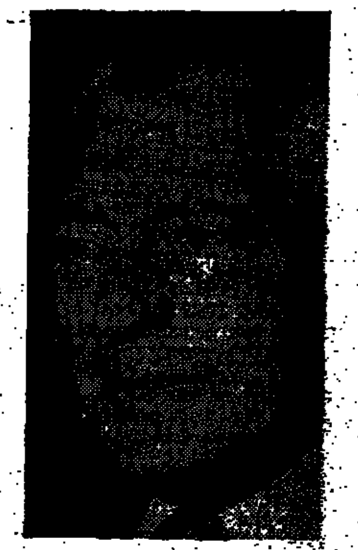
Part of the explanation for the rivalry between Agnelli and Carlo de Benedetti, the fast-footed chairman of Olivetti and of much else beside, is that his the only Piedmontese business which comes anywhere near challenging Fiat.

Both men are that relatively rare thing in Italy, businessmen with vast experience of the wider world. Gianni Agnelli is always highly informed on international affairs, as befits a man who spends much time in New York, Paris and London.

Even though he had a heart by-pass operation three years ago, and a bad skiing accident the year before that, he still pushes himself hard, getting up between five or six each morning, and reading through a dozen newspapers by breakfast.

Although he goes to the mountains less than before, he still sails a great deal. He never misses a match by his own football team, Juventus, and as always he drives cars—"much too fast," those around him say.

JAMES BUXTON



Gianni Agnelli, chairman of Fiat, Italy's biggest private enterprise

Profound changes now under way

THE STRUCTURE of industrial power in Italy, the world's seventh largest industrial economy, is today undergoing a profound change.

While certain things remain the same—the huge L40,000bn ($20bn) turnover of the state-owned IRI Holding Group, for example, or the undisputed pre-eminence of the Turin-based Agnelli family and its Fiat empire in the private sector—the past year has seen so many important industrial and financial holdings changing hands that it is now fair to say that the country's business boundaries are being redrawn.

The ownership of industry

ALAN FRIEDMAN

The collapse in 1982 (with $1.3bn of missing funds) of the late Sig Roberto Calvi's Banco Ambrosiano empire, has contributed to the change. Equally, the death last September of Sig Carlo Pesenti, the Catholic financier whose ties to Sig Calvi and the Vatican made his own industrial empire an Italian legend, has fostered change.

Sig Pesenti's empire of steel, engineering, media, property, cement and financial companies is viewed in Italy as potentially up for grabs: its most important financial holding—control of Riunione Adriatica di Sicurta (RAS), Italy's second largest insurer, is being sold to Allianz Versicherung of West Germany. Sig Pesenti died just hours before he was due to stand trial on charges of criminal involvement in the failure of Banco Ambrosiano, of which he was the largest single shareholder.

The Vatican

But there is more to the present changes in the ownership of industry than the picking off of collapsed empires. For one thing, the position of the Vatican, which in the heady days of Calvi, Sindona and Pesenti played a major role in share dealings with these criminally implicated partners, has diminished.

The Pope's former bodyguard and now chairman of the Vatican Bank, Archbishop Paul Marcinkus, is under criminal investigation for alleged fraud in connection with the collapse of Banco Ambrosiano and also separately for his role in a 1972 Vatican loan to Pesenti.

Last summer's embarrassing $250m payment by the Vatican to Ambrosiano creditors—without formally admitting guilt in the Ambrosiano affair—also took a chunk out of the Holy See's assets.

Then there is the phenomenon of Sig Carlo de Benedetti, the Olivetti chairman who is a major financier in his own right. His rise has been impressive and is beginning to alter the traditional equilibrium.

Sig de Benedetti, through family vehicles, owns 15 per cent of Olivetti, 4 per cent of Pirelli, 11 per cent of the Espresso publishing group, 30 per cent of the Euromobiliare investment bank, 62.3 per cent of the Buitoni pasta and chocolates company, 10 per cent of the important GIM metallurgy group, one per cent of the Credito Romagnolo bank and large tanning and tobacco machinery manufacturing businesses.

More than anyone else, Sig de Benedetti is challenging the clubby little world of Italy's most established entrepreneurs—*Gianni Agnelli, the Fiat chairman*; Sig Leopoldo Pirelli of the tyre and cables group which bears his name; and Sig Enrico Cuccia, the 77-year-old financial wizard who runs Mediobanca, the controversial Milan-based merchant bank which is as powerful as it is secretive.

In seeking to understand the Byzantine structure of Italian industry, there are few institutions as key as Mediobanca, which is 57 per cent owned by IRI's three state banks. Mediobanca is at present at the centre of a major political row which concerns an attempt to bring in the Lazard Freres investment bank as a 20 per cent shareholder. The row, which in Italy is mistakenly cast in terms of "privatisation," has a far greater significance than appears.

To speak of privatisation is misleading because, as was recently revealed, a secret syndicate of control (composed of the three IRI banks, plus tiny foreign shareholders, such as Lazards, with 1.3 per cent, and Berliner Handels Gesselschaft, with 2.3 per cent) has been running the bank for 30 years. The tiny group of shareholders has had the same same as the three IRI banks who, in theory, should have majority control with 57 per cent. The Agnelli family, which has less than 1 per cent of Mediobanca, is also viewed by critics as having too much influence at the bank.

Some Italian politicians feel that Sig Cuccia — who has been involved in almost every major post-war corporate take-over in Italy — has really been serving the interest of a northern Italian cartel of entrepreneurs.

Power struggle

Thus, the Lazard-Mediobanca controversy is more than a share matter: it represents a fundamental struggle for industrial and financial power between the Agnelli family and its allies, on the one hand, and those politicians and reformers who fear too much concentration of power in the hands of Piedmontese and Lombardy financial operators, on the other.

The importance of the struggle comes into focus when one considers the interlocking structure of industrial power *(see illustration)*. It is no accident that the interweaving of share holdings keeps companies such as Pirelli, Montedison, Rizzoli-Corriere Della Sera and Generali (Italy's leading insurer) "in the family."

Mediobanca owns stakes in Generali (5.10 per cent), Montedison (17.86 per cent), Pirelli (11.10 per cent), SNIA (14.97 per cent) and also importanty, the Gemina holding group, which, in turn, has interests in many companies, including Fiat-related interests.

Gemina, which is also controlled by the Agnellis, Pirellis, Bonomis and other prominent families, took over the Corriere Della Sera last autumn and also has 17.11 per cent of Montedison.

The principal fear of the powerful industrial families of the north is that once the 77-year-old Sig Cuccia leaves Mediobanca, a political appointee could be implanted by Rome, thus ending the 30-year game of control. The nominal chairman of Mediobanca, Sig Fausto Calabria, is of little use to the industrialists—he is under arrest, accused of involvement in the alleged embezzlement of L240bn of state funds when he was a director at IRI.

The principal fear of the politicians and reformers is that unless the Government stops the Lazard deal from going ahead, power will remain in the hands of a select few. Sig Eugenio Scalfari, the respected editor of the La Repubblica newspaper, wrote recently of the Lazard project: "if the operation is completed it would create one of the most formidable concentrations of power—industrial, insurance, banking and the Press—in Europe, and certainly the most important in Italy."

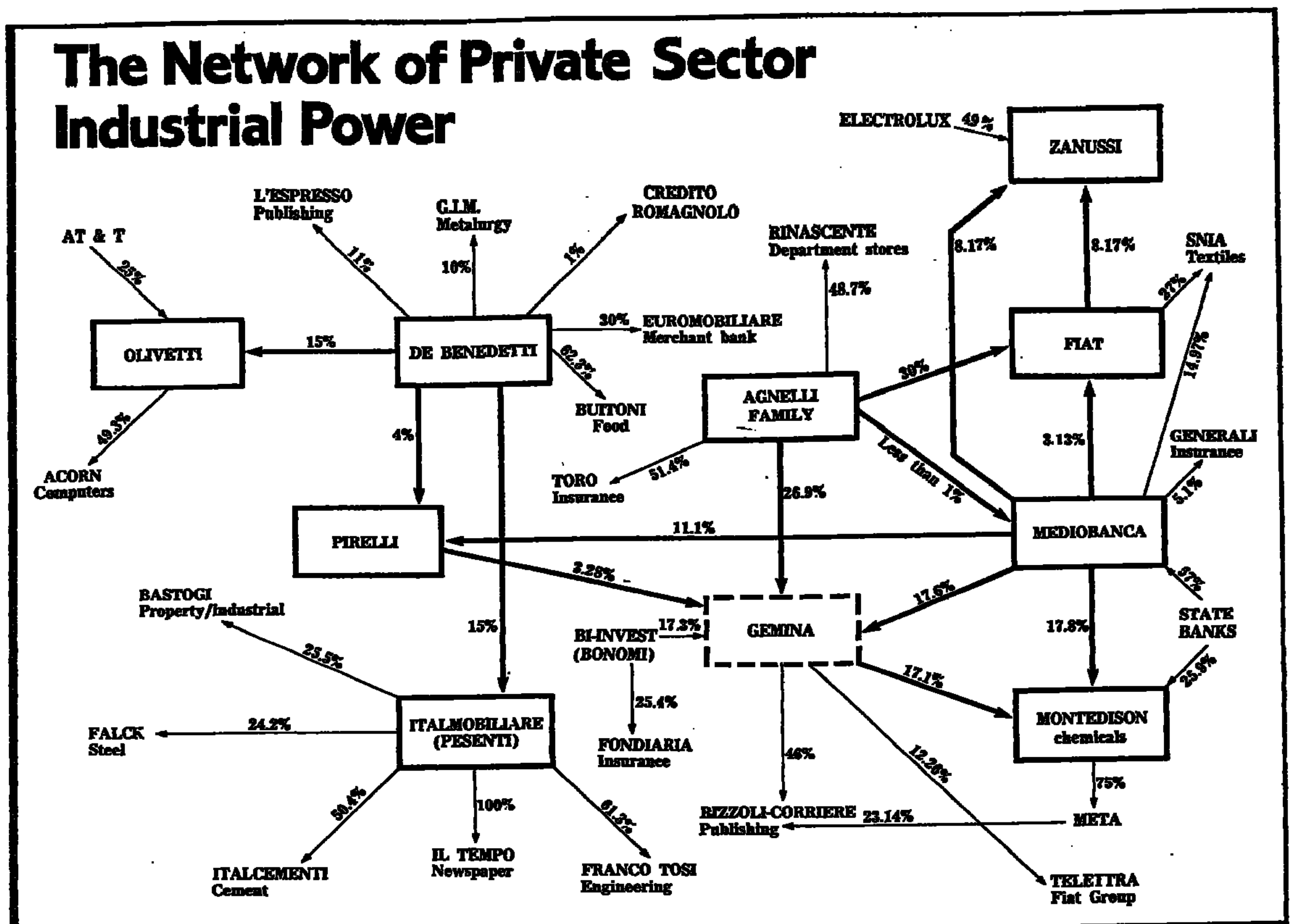
Some would say this is already the case.

Beyond the collapse of old empires, the rise of Sig de Benedetti and the struggle at Mediobanca, the other key change in Italy's industrial structure taking place is the dramatic return of foreign investment.

In the past year or so, Sweden's Electrolux has taken over the Zanussi home appliance group, Britain's Beecham has taken over the Zamberletti pharmaceuticals business, Allianz has taken control of RAS, American Telephone & Telegraph (AT & T) has taken 25 per cent of Olivetti, Chrysler has taken a share in Maserati, and many other foreign companies have been buying into Italian businesses.

Foreign acquisitions of Italian companies generally create a lengthy and messy domestic debate, with every politician and trade unionist offering an opinion. But as Sig de Benedetti, who is generally reckoned to be the Italian entrepreneur with the least provincial attitude, put it recently: "I welcome foreign investment. To criticise it, is stupidity."

Even with all of the above taking place, the structural change in Italy is not over. Both the Agnellis and Sig de Benedetti can be expected to add more companies to their empires, as befits two powerful empire-builders based only 25 miles apart from one another in Piedmont. And in the state sector, meanwhile, the drive is to partly privatise several companies on the Milan bourse. But the real industrial and financial power is not reflected in the bourse—it is in the hands of a select few.



● The major private sector industrial and financial companies in Italy are controlled by a very small number of entrepreneurs and families, as this simplified chart indicates.

The Agnelli family, which controls Fiat, is by far the most important centre of industrial power. It also has close connections with Mediobanca, which is a clearing house for virtually every transaction between the major private concerns, even though state-controlled banks hold the majority of its shares. Carlo de Benedetti, chairman of CIR and of Olivetti, is growing in power and, when he recently bought control of Buitoni, the food maker, set a precedent for a major company deal by not involving Mediobanca in it.

All shareholding figures are taken from the most recently published accounts. In some cases changes may have occurred which are not yet published.

Crucial question on recovery

State industries

JAMES BUXTON

ARE ITALY'S state holding companies really turning round after years of decay?

The question is crucial to whether Italy is shaking off the bad habits of economic and political mismanagement which reached their nadir around the turn of the decade. Unfortunately, it is too early to give a precise answer.

Last year ENI, the state energy company, sharply reduced its losses and came—considering the scale of its turnover — within striking distance of breaking even.

IRI, which operates in a bewildering range of industrial sectors, also reduced its losses from the record reached in 1983—but by a distinctly unspectacular amount. The losses of the two companies alone—not including those of their smaller sister EFIM, which also has industrial interests, still came close to L3,000bn (£1.3bn).

In the past, ENI and IRI used to be held up by foreigners as examples of how the state should intervene in key sectors of industry. But gradually they came to represent all that was worst about the Italian system in general.

Their priorities became political rather than industrial—the need to preserve votes. They piled up immense losses because they had to make uneconomic investments, to retain in existence—or to rescue—companies that had little future, and their managers all too often lacked strong incentives to make profits. Many, as repeated scandals have showed, were deeply corrupt.

Squabbles

By 1982 the situation had become intolerable. ENI was changing its chairman every few months as politicians squabbled over who should enjoy such spoils as there were to be had. IRI, despite some restructuring under the activist minister of state shareholdings Sig Gianni de Michelis, was sinking deeper into loss. The three companies between them lost almost L5,000bn.

Things were bad enough, in fact, for the political forces to agree to try to stop the rot. Within a few months of each other two outstandingly honest men were appointed to the chairmanships of IRI and ENI: to IRI went Prof Romano Prodi, an economist who believes that the salvation of IRI is crucial to the future of Italy; and to ENI went Prof Franco Reviglio, also an economist, who had been a stern and successful Minister of Finance.

IRI (Instituto per la Ricostruzione Industriale) was founded in 1933 to look after ailing industries and has often had to struggle to establish a clear purpose and an orderly structure. ENI (Ente Nazionale Idrocarburi), on the other hand, was established in the early post-war period with the clear objective of being a national hydrocarbons company. Though it swelled to include energy-related engineering activities and chemicals, it always had a more centralised structure and a greater sense of identity than its sprawling sister IRI.

Those qualities, however, came near to being eroded in the dozen or so years up to 1982. ENI had to take on unwanted activities in fields barely connected with energy, such as textiles and mining, was expected to stock up with nuclear fuel for a nuclear power station building programme that never materialised, and had to take on, in successive waves, the wreckage left over from the errors committed by the Italian chemical industry in the 1970s.

Oil business

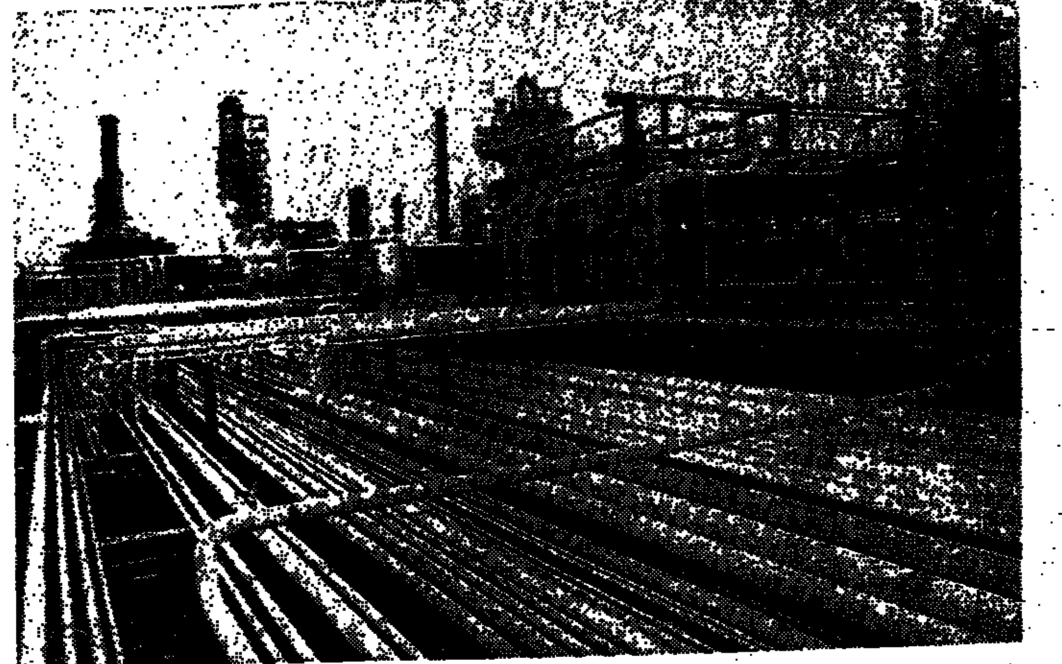
But since its core business, oil, is one which, if not inevitably lucrative, at least involves the transfer of very large sums of money, ENI came increasingly to be plundered by the politicians. In 1979 it became involved in a major scandal involving Saudi Arabia (and it lent large sums of money to the fraudulently-run Banco Ambrosiano).

In fact ENI, by foolish purchasing decisions, managed to lose large sums of money on its oil business in the early part of this decade, and it still loses money on its downstream operations.

It does, however, have the valuable cushion of revenue from Italy's substantial domestic reserves of natural gas — produced at low cost from mostly amortised plant from reserves which cost nothing to acquire and sold at a high price related to the world price of crude.

This gave Sig Reviglio quite a lot to build on when he took over the chairmanship of the company in March 1983. The only two executives he was allowed to import were Sig Mario Gabbrielli and Sig Siro Bassani who had between them successfully sorted out the finances of Olivetti when Sig Carlo de Benedetti moved in there in 1978. They have been able to make almost immediate improvements in the company's debt structure and servicing costs by pursuing imaginative borrowing policies. They have also imposed centralised financial control on ENI's subsidiaries — for the first time.

Agip, ENI's oil subsidiary, has improved the profitability of its oil supply operations by terminating the costly long-term contracts to which it was tied and relying more on purchases in the spot market. But it does not make money on selling products in Italy, mainly because it is tied to a vast and uneconomic network of refineries which it is inhibited from rationalising to the extent necessary by social and political pressures (though it has closed a refinery at La Spezia and is scaling down others gradually).



An oil refinery of ENI, the state energy company which saw a big reduction in losses last year and came close to breaking even

Indeed, Sig Reviglio admits that it would be a lot cheaper to import refined products from the oil producing countries. But this, he pointed out in an interview with an Italian newspaper, would leave Agip shouldering high fixed costs without making full use of it.

ENI's large chemical operation — swollen by acquisitions, mostly involuntary — is thought to have reduced its losses from L670bn in 1983 to about L160bn last year — thanks, according to Sig Reviglio, two-thirds to the improved chemicals market, and one-third to better management.

But since Enichem, as the subsidiary is called, is largely in petrochemicals, it is particularly vulnerable to the vast new petrochemical plants which will come onstream in a big way in Saudi Arabia this year, and the outlook for Enichem is not glittering.

Crisis

While ENI's engineering companies — Snamprogetti, Saipem, Nuovo Pignone and Savio — are all healthy, there are other companies in crisis under ENI's control: the textile company Lanerossi (thought to have lost L130bn last year) and a group of mining companies under Samim, which lost about L250bn in 1984. Here some reforms are being made, but ENI is proceeding cautiously.

Sig Reviglio obliged the Government to reimburse ENI on a deal with Algeria after the government had insisted that ENI buy gas at a price the company said was uneconomic. He has scaled down the uranium stockpile. But he regards the company as the servant of the Government over energy policy—for example in deciding a policy over coal supplies and the question of owning foreign coalmines—and believes that ENI should invest money to provide jobs for the workers it has to dispense with as plants in southern Italy are irrevocably closed.

Though ENI will strive for more efficiency, it is unlikely under Sig Reviglio to be run on the lines of a private sector company. Nor has he had total success in imposing his will on ENI's more powerful subsidiaries. Nevertheless, the the conversion of the 1983 loss of L1,369bn into a probable deficit of L200bn in 1984 is an achievement.

Whereas Sig Reviglio has proceeded quietly, attracting little attention in the Press, his opposite number at IRI, Sig Prodi, has had no fear of publicity. Indeed, he has found the Press a useful ally against the politicians who after an initial honeymoon have increasingly tried to thwart him.

There is little doubt that his task has been immeasurably more difficult than that of Sig Reviglio. IRI has never had a strong central management and both the structure of the group, and its rationale, have in recent years been dictated more by a succession of external interventions than by economic logic. The tentacles of IRI's 1,000 or more subsidiaries and holdings stretch into every corner of the peninsula and of Italian life, and this into many a politician's bailiwick.

It is, therefore, all the more remarkable that Sig Prodi has, with tacit government backing, succeeded in launching and pushing ahead a programme for the cutting of Italy's steel-making caapcity.

Finsider, the state steel company is part of IRI and is by far the biggest source of its losses. Yet last year alone more than 20,000 men left its payroll with barely a murmur of protest, and the reduction of steel-making capacity by 3.8m tonnes, in line with EEC requirements, is well advanced.

Finsider's losses came down to about L1,400bn last year from about L2,200bn in 1983, but must descend much further to put IRI's accounts in the black. The parent company's losses fell from about L3,200bn in 1983 to an estimated L2,700bn last year.

One reason why the losses are still so high is that progress has been slow in sorting out the problems of the perenially loss-making shipbuilding industry, and a start has only recently been made on a thorough restructuring of the large shipping operations of IRI.

Alfa Romeo, the car maker, is a serious headache, its options inexorably closing as the pace becomes more difficult for all Europe's car makers, especially its smaller ones. Ansaldo, Italy's main power station equipment maker, is another source of heavy losses.

There is a limit to what one could reasonably have expected Sig Prodi to achieve since he took office in late 1982. Indeed some of what he has done only appears remarkable to someone who does not know Italy: they include dislodging powerful bosses of IRI subsidiaries who were running semi-independent fiefdoms within the company; putting a ban on any further rescue operations of the kind that so distorted the shape of the company in the past; selling off a number of small peripheral activities; reforming the heavily loss-making subholding SME which contains a number of food producing and marketing companies and which was unusually dense with deadwood.

Energetic

The chairman, whose energy seems unlimited, is also trying to carve out a new and more positive role for IRI, making use of its strong position in the Italian telecommunications and electronic equipment industry to develop Italy's value-added networks (VANs), though an agreement with a private-sector partner has yet to be finalised.

Yet progress on reducing IRI's debt, not far short of its turnover of L42,000bn, has not been spectacular, and there have been limits to the imposition of centralised control by the parent company despite the fact that most of them depend on it for money to keep going. The opposition he has recently attracted may be a measure of Sig Prodi's success in shaking things up.

Much depends on how far Sig Prodi is allowed to continue his reforms. His three-year appointment expires this autumn.

The third state holding company, EFIM, may at last be set on a more sensible course after the appointment to its chair last year of Sig Stefano Sandri. Here the moderately satisfying performance of some of its subsidiaries—in the field of defence equipment, for example—has been cancelled out by the immense losses of aluminium smelting, which EFIM has hitherto done very little to restructure.

It has, however, made a start on reducing its dollar indebtedness and hopes to have cut its losses from the L689bn of 1983 to L450bn in 1984. The full benefits of its debt restructuring will not be felt until the 1985 results, by which time the holding company may have begun to reform its aluminium operations.

PROFILE: ELSERINO PIOL OF OLIVETTI

A brilliant strategist

"I AM a university drop-out," says the man who personally negotiated the global accord between American Telephone and Telegraph (AT and T) and Olivetti. Sig Elserino Piol, Olivetti's joint managing director in charge of strategy, is a modest man whose relaxed approach belies the fact that he is incredibly hard-working and, in the view of his competitors, a brilliant strategist.

Sig Piol, who spends almost as much time aboard Concorde and in hotel rooms as he does in his office at Olivetti headquarters in Ivrea, is far more than Sig Carlo de Benedetti's "number two."

He is a man driven, forever seeking out new acquisitions, marketing agreements and joint ventures. The miracle of Olivetti's impressive turnaround since 1979 is generally cited as a de Benedetti achievement. But behind the scenes, Sig Piol has been there every inch of the way, planning, travelling, bargaining and putting his staff through rigorous projects.

The 54-year-old Sig Piol lives and breathes computers and office technology, or, as he prefers to describe the products which now account for more than 70 per cent of Olivetti's L4,700bn group turnover, "work stations."

Relaxation

He is presently reading *The Little Kingdom*, a book about the story of Apple computers. While he agrees that this is hardly relaxation, he admits a fondness for "airport novels" during his many foreign trips.

The demand of Sig Piol's work tends to preclude most other activities. He wishes he had more time for "art and for music," but says that directing Olivetti strategy requires 12-hour work days. At least twice a week he is at his desk at Olivetti from 8.30 am until 10.00 or 11.00 pm.

When Sig Piol travels to Paris, New York, London and Frankfurt, as he does almost every month, he carries with him group-wide responsibilities. Even more importantly, he asks his staff to keep him informed of acquisition prospects in key markets. The example of how Sig Piol negotiated Olivetti's recent purchase of 49.3 per cent of Britain's Acorn computers is a perfect example of the man in action.

Sig Piol: forever seeking out new acquisitions

On Thursday morning, February 7, Sig Piol arrived in London on a stop-over from a trip to New York—"I remember very well that I was in London for a day of consultations, on Olivetti business. I had asked my associates to look at several UK computer companies with a view to possible acquisitions. Then, on Thursday morning, in the car on the way to an appointment in London, I opened my Financial Times and read about the suspension of Acorn shares on the Stock Exchange."

The same morning Sig Piol asked his colleagues for detailed information on Acorn. The following day, back in Ivrea in Piedmont, Sig Piol went directly to Sig de Benedetti and asked him whether Olivetti could approach Acorn's financial advisers to make an offer for a stake. Sig de Benedetti gave Sig Piol the go-ahead. On Saturday contact had been made with Close Brothers in London. On Sunday, February 10, the Acorn advisers flew to Milan where Sig Piol hosted talks. The negotiations continued on Monday morning and it began to look as though a deal was in the offing.

On Tuesday, February 12, Sig Piol went to Cambridge, for talks with Acorn.

"At two in the morning, after a very long day in Cambridge, we signed the first agreement with Acorn," recalls Sig Piol.

But the work was still unfinished. Within 24 hours Sig Piol had dispatched a team of Olivetti auditors to Cambridge. By Friday, February 15, the team completed its work and word began to leak out that something was in the air. A few days later the purchase of just under 50 per cent of Acorn by Olivetti was confirmed. Sig Piol had moved very quickly indeed and concluded a deal which must be regarded as constructive for both parties.

For someone who lives this kind of a hectic life, relaxing is essential. But Sig Piol says there is little time to do more than spend time with his wife (they have an apartment in Milan and a pied-a-terre in Ivrea) and with their two children, one of whom is studying computer sciences in the States.

"When I leave the office I like to forget about work. But this is not always possible," he says.

The Piols have a home on the Ligurian coast, where they escape for weekends. "I like sailing very much," notes Sig Piol, "provided somebody else is doing the sailing. The best thing is to have friends with a sailboat."

At home in Milan, Sig Piol says that, despite frequent requests from his family, he does not own a personal computer. Is this not strange, given the wonderful products from Olivetti?

"I don't want to buy a cheap computer, especially if it is made by a competitor. And, at present, the Olivetti computer I would want is a bit expensive. But I've told my family to wait a year and then we will come up with a new product which they can have at home.

"I prefer to buy Olivetti," he adds with a smile.

ALAN FRIEDMAN

Police check cars at one of several road blocks in Palermo, Sicily, during police raids on Mafia hangouts in major cities all over Italy. The Mafia enjoys billions of dollars of drug-related revenues each year

Crackdown on crime

THE ITALIAN *Government of Sig Bettino Craxi*, working through the Interior Ministry, police officials, investigating magistrates and in collaboration with U.S. law enforcement authorities, has in the past year mounted the most serious offensive against organised crime which Italy has ever seen.

Enormous successes have been recorded in the battle against the Mafia and other organisations, successes the authorities hope will mark the beginning of a sustained period in which the power of the Italian state will be proven to be decisively stronger than that of its underworld adversaries.

New law and order campaign

ALAN FRIEDMAN

Whether this is optimistic or realistic remains to be seen. In the view of some leading politicians in Sicily, for example, the power of the Mafia is now significantly stronger than the state.

The Sicilian-based organisation, which enjoys billions of dollars of heroin-related revenues each year, has become more ruthless than ever, killing prominent politicians, magistrates, police officials, journalists and businessmen if they stand in its way. But, as is pointed out by Sig Giovanni Falcone, the Palermo-based magistrate who has single-handedly done more to combat the Mafia than anyone else in Italy *(see profile)*, fighting the Mafia is a "step-by-step process."

Pessimists say that it will never be truly feasible to halt the operations of the Mafia in Sicily, and its counterparts in and around Naples (the Camorra) and in Calabria (the 'Ndrangheta). Thus the achievements over the past year or so must be seen in the light of Sig Falcone's step-by-step process.

Big boost

More importantly however, each victory over the Mafia tends to provide a psychological boost to law enforcement agencies.

The most significant such victory last year occurred when Sig Falcone persuaded a mafioso who was captured in Brazil and extradited to Italy, to break the time-honoured law of *omerta*, the Mafia's code of silence.

Tommaso Buscetta, the Mafia "soldier" in question, provided Sig Falcone with nearly a thousand pages of testimony, including lists of names which have led to the arrest of 366 suspected mafiosi so far.

Sig Buscetta's revelations, which have had repercussions on both sides of the Atlantic, not only confirmed the authorities' theories about the internal structure of the Mafia—they also are helping magistrates to go after the so-called "*terzo livello*" Mafia collaborators, the hitherto "untouchable" politicians and public officials who are on the Mafia payroll.

Among those arrested in recent months have been a former mayor of Palermo and, in a village in Sicily, nine town councillors along with the mayor. Prominent businessmen such as Sicily's famous "tax-farming" Salvo cousins have been detained by the authorities. And even a Sicilian noble has been accused of Mafia involvement.

Aside from the selfless efforts of investigating magistrates, the authorities have been aided by three key factors: improved legislation in recent years has helped police officials to sequester assets and go after bank records of suspected mafiosi, the Craxi Government's Christian Democrat Interior Minister, Oscar Luigi Scalfaro, has proved himself to be extremely serious about tackling the Mafia, even if it embarrasses members of his own party. New bilateral treaties between Rome and Washington have dramatically improved the possibility of trans-atlantic co-operation.

Italy and the United States have a new extradition treaty which allows suspects or convicted criminals to be transferred back and forth between the two countries for questioning or to stand trial (even if they have been already convicted in one country). And law enforcement officials, from the FBI down to district attorneys in Brooklyn, are able to deal directly and with a minimum of bureaucracy, with their Italian counterparts.

These developments make the job much easier for the authorities, but arrests alone do not stop the Mafia, which is in many respects a sophisticated and multi-national industry, laundering drug money through U.S. and Italian banks and run as a kind of confederation of families plus thousands of "soldiers."

It has been estimated that between 60 and 80 per cent of the heroin sold in the U.S. is either shipped and processed or brokered through Italy—and not merely in the South. The Mafia's tentacles extend to Milan, Turin and other cities of the north.

Aside from Mafia, the Camorra in Naples has generally been considered the second major underworld force. Dr Riccardo Boccia, the Prefect of Naples, feels that with the arrest of 27,000 Camorra suspects over the last three years, the Camorra is finished.

Others are less confident. None the less, last month saw the opening of what is being called the biggest trial in Italian history—the trial of 639 alleged members and associates of the Camorra. They were arrested in a vast round-up in June 1983 and among them is a nun, the former chairman of a First Division football club and one of Italy's leading television chat show hosts.

Beyond the question of organised crime in Italy lies the equally frightening issue of terrorism. Gone are the bad old days of the late 1970s, when Red Brigades terrorism was epidemic and terrorist victims numbered in the hundreds for a couple of years. Laws allowing "penitent" terrorists to implicate their accomplices have helped the authorities to track down and arrest hundreds of suspects.

Terrorism

The scourge of terrorist kidnappings, bombings and assassinations, which reached a peak with the 1978 kidnapping and murder of former Prime Minister Sig Aldo Moro, may be over. But in a comment last month on the recent wave of new terrorist activities in Western Europe, Prime Minister Craxi said he feared there was reason to expect a terrorist attack in Italy as part of the present offensive.

For 56m Italians, last Christmas was, in Sig Craxi's words, "splattered with blood" when just before Christmas even a Naples-Milan express train was stopped by a terrorist bomb which killed 15 people. As in other terrorist train bombings—and there is a tragic history of these—few in Italy expect the perpetrators to be found. The most popular theory among Italians is that the terrorists were neo-fascist, although there is no firm evidence either way.

Aside from isolated incidents, such as the Christmas train massacre and the killing in Rome last year of the U.S. director-general of the Sinai multinational peacekeeping force, most acts of terrorism on Italian soil have been inspired and carried out by groups from the Middle East.

"For Libyans and other Arabs I am afraid that Rome is a kind of killing ground. We can only hope these acts do not happen too often." said one diplomat in Rome.

World links

In the wake of the recent wave of anti-Nato terrorist acts in Europe Italian Government ministers have been busy travelling from capital to capital seeking to strengthen international ties among law enforcement authorities. Whether this very public string of missions, complete with public hand-wringing, is the correct way to deal with terrorism which is at least in part designed to gain publicity may be open to question.

But several concrete steps are being taken in order to increase co-operation between Italy and other members of the European community. Italy and Britain, for example, are to start work on a treaty aimed at making it easier to extradite people wanted for terrorist offences. This news emerged following talks in Rome last month between Mr Leon Brittan, Britain's Home Secretary, and Sig Mino Martinazzoli, Italy's Justice Minister.

Likewise, France is under pressure to provide more assistance to Italian authorities, particularly in light of the large number of Italian suspects who have taken refuge in Paris. Sig Craxi has said there are at least 117 Italian terrorists in France, and probably a good number more. France stated in 1982 that it would not extradite people whose offences it considered were political, but the Italians are hopeful that this attitude will change.

Lest the presence of the Mafia and terrorism suggest a country engulfed by violence, it should be noted that living and working in cities such as Rome or Milan is no more dangerous than life in London, Paris or any other major European city. The same, unfortunately, cannot be said for Palermo, the capital of Sicily.

How a go-ahead Italian shoe business has won a profitable niche at the top end of the fashionable New York market.

Deluged with orders for the Spring

Success for small businesses

ADRIAN DICKS

ARE YOU interested in a pair of olive, knee-high *kid boots*, decorated with multicoloured curlicues stitched from the skins of half-a-dozen exotic species of lizard?

They'll cost you anywhere up to $400 at a fashionable New York shoe shop, and they are likely to have been made at the tidy, medium-sized factory of Calzaturificio Ottorino Bossi, almost hidden among tanneries and warehouses in the nondescript back lanes of Vigevano, a sprawling town 25 miles south west of Milan, which is one of the main centres of the Italian shoe industry.

Right now, the Bossi factory is racing to complete the deluge of orders for the spring season. The company's chosen niche in the shoe industry is at the top end of the market—ever sensitive to the whims of fashion designers.

There is no such thing as co-ordination between clothes designers and shoe manufacturers; the latter have a few hectic weeks after the major haute couture presentations in which to try to produce designs and colours that will match the season's "look." After that, they must sell their ideas to the shoe shops' buyers and then set about manufacturing the shoes and boots.

Sig Giuseppe Baletti, geenal manager at Bossi, sighs and says he sometimes wishes for a less frantically seasonal pattern of business. For half the year, the factory and its many subcontractors are busy; for the other half, they can do relatively little. For the high fashion sector of the industry, says Sig Baletti, there can be no manufacturing for stock of the kind of classic shoes that British producers, for example, have been turning out with little variation for decades.

Exports

Yet Bossi, which exports three-quarters of its output directly to up-market shoe retailers in the U.S., Britain, West Germany, Belgium and the Netherlands, is reconciled to this feast-or-famine work cycle. Such is the price, according to Sig. Baletti, of staying in the sector of the market that has proved most resistant to recession.

Italian manufacturers of cheaper footwear have in the past year or two had to reconcile themselves to combating imports from West Germany among other countries, an unexpected turn of fortune that has been amplified in recent months by the relative strength of the lira against the D-Mark within the European Monetary System.

For the Bossi factory, there has been little joy from the far more significant decline of the lira against the dollar. Still bleary after an overnight flight back from a U.S. sales trip, a younger member of the Bossi family complains that, far from dropping to the bottom line of the lira-based Italian manufacturers' profit and loss accounts, the dollar's strength has been seized upon by canny New York shoe buyers as a means to beat prices down, playing the small Italian exporters off one against the other. The American customer, rather than the Vigevano manufacturer, will reap the benefit.

There is another adverse consequence of the dollar's rise: the quality shoe manufacturers' raw materials, hides and assorted reptile skins, are priced in the U.S. currency.

Last year, he estimates that prices of raw materials rose 30-40 per cent.

Founded in 1956, the Bossi firm has grown to a turnover of L10bn (£4.5m) last year, which is expected to increase in 1985. Profits are not disclosed, but after an exchange of glances with colleagues around the room, Sig Baletti volunteers that they were "not too disappointing" in 1984, and should be maintained this year.

Producing as many as 300 new designs each spring and autumn season, the company would be glad to be able to expand production from the current 500 pairs of men's and women's shoes a day, if it could get the raw materials.

As is common in Italian industry, much of the work is subcontracted out; the 100 or so production workers in Bossi's quiet, well-equipped factory concentrate on the delicate work of final assembly. A dozen office workers and a handful of designers complete the workforce, while a nearby factory run by a Bossi relative turns out belts and handbags to match the footwear.

Outside in the factory parking lot, the cars are small but new as people return from lunch—most well ahead of the 2 pm official resumption of work.

Giovanni Falcone has won national fame as an anti-mafia magistrate

War against the mafia

"DON'T WORRY, Judge Falcone will be back from lunch any minute now. And you will know he is arriving before he gets here. You will hear the sirens."

With this remark the young carabinieri guard at Palermo's *Palace of Juctice* removed the cigarette which had been dangling from his lower lip and adjusted the sub-machine gun strapped over his shoulder. A moment later the sound of wailing sirens fulfilled the young soldier's prophecy—Sig Giovanni Falcone, the anti-mafia magistrate who is Italy's most heavily guarded man, was on his way back from lunch.

Through the congested streets of Palermo sped a motorcade of four Alfa Romeo police cars. As soon as the cars had screeched to a halt in front of the huge palace of justice, no fewer than 11 armed bodyguards leapt out and surrounded the jovial and bearded Sig Falcone.

The two carabinieri inside the building hoisted their machine guns to an alert position and an advanced guard of four policemen, each wearing thickly padded bullet-proof vests and helmets, led Sig Falcone the distance of two yards from street to building. Each of the guards had his pistol drawn and held at waist-level or higher.

"He is the most courageous man I have ever known," says one Western diplomat, referring to the extremely dangerous profession which Sig Falcone and his four fellow investigating magistrates have chosen.

But the rewards are beginning to come, slowly. With wide-ranging powers under Italian law, the investigating magistrate is in a unique position to sequester bank records, make arrests and take measures to deal with suspected mafiosi.

Last year the 45-year-old Sig Falcone gained national fame as the magistrate who persuaded the middle-ranking mafia "soldier," Tomaso Buscetta to break the code of silence or *omerta*. This, in turn, led to the arrest of 366 suspected mafiosi and immediately caused the politicians in Rome (including Prime Minister Bettino Craxi) to make grand statements about a new breakthrough in the battle against the mafia.

Murders

But from his dark and gloomy vault-like office (the bullet-proof windows are small), Sig Falcone knows another reality. He knows that five of his colleagues have been murdered by the mafia in recent years, the last victim being his good friend Sig Rocco Chinnici, blown up in a car bomb in July, 1983.

He knows that his work, along with a team of four other magistrates, cannot change the situation in Sicily overnight. He knows that it is already an achievement to have a team of five magistrates working together against the mafia (it is harder for the mafia to kill five magistrates simultaneously than to murder one or two). And he knows that despite the significance of his work with Tommaso Buscetta, Buscetta was not a godfather, but merely a middle-level *mafioso*.

"This is not a battle we will win today or tomorrow. But prospects are gradually improving. We are taking a step in the right direction," remarks the relaxed Sig Falcone, smoking a Dunhill cigarette and sitting behind an immaculate and paperless desk.

But what hope can there really be of interdicting the multi-billion dollar heroin trade which has made the modern mafia a vicious and bloody society (bearing no resemblance to the myth of its honourable legend)?

"The mafia exerts rigid control here," says Dr Oleoluca Orlando, the Vice-Commissioner of Palermo and one of the few Christian Democrat politicians ready to admit that some members of his own party are bribed by the Mafia.

Dr Orlando does not mince words: "The mafia moves quickly here. With the drug trade it does not have time to cultivate political contacts. It buys politicians and if someone's is not 'for sale,' he is killed."

Judge Falcone would probably agree with this analysis, but he would not say so publicly. He does not care to make pronouncements about politicians, particularly as he feels that there is now significant co-operation from Rome, from the Interior Ministry and from others. If, on looking back over the past few years, when a number of national politicians were less than helpful in battling the mafia, Sig Falcone feels bitterness, he does not show it.

He is too decent a man, too dedicated to the state, too sensitive and kind. There is something cherbuic about his face which makes it hard to reailse that he is at once Italy's most important general and most important foot soldier in the battle against the Mafia.

Have politicians in Rome in the past paid insufficient attention to the mafia question?

Sig Falcone sighs and finally comments: "For a number of them, in the past, addressing the mafia question was like being served a lunch dish you don't like. You'd rather leave it and go on to something else."

In Palermo, the stronghold of the mafia, attempts are being made to clean up the Christian Democrat Party, the leading party in Sicily. Sig Lillo Mannino, the former Agriculture Minister, recently elected regional secretary of the *Christian Democrat Party*, says: "The mafia in Sicily is now stronger than the state."

He says, however, that he is working with Sig Ciriaco de Mita, the national secretary of the Christian Democrats, "to liberate our party from every risk of mafia infiltration."

But the most important work being done to battle the mafia is, without a doubt, by Sig Falcone and his colleagues.

Investigation

Travelling to the United States and Brazil frequently to continue his investigation, Sig Falcone is laying the groundwork for literally hundreds of cases. The amazing thing is that his files are not yet computerised. Thus, every individual magistrate carries around, in his head, a store of information, pieced together meticulously and therefore irreplaceable. Every Italian anti-mafia magistrate is therefore a walking target for the murderous organisation: kill a magistrate and you destroy more than an official; you eliminate a storehouse of data.

What does this means for Sig Falcone and his wife in Palermo? It means that they have virtually no personal life. A bullet-proof glass sentry-box stands near the Falcone apartment building in Palermo. Helicopters sometimes patrol overhead. One security guard points out that "if the Mafia really wanted to bomb him from the sky, we could not stop them." But on the ground, Judge Falcone is well protected.

Can he go out to a restaurant? "With difficulty," he answers.

Falcone, Italy's most heavily-guarded man: "I must do my job"

A bodyguard says that *going to* a restaurant with the Falcones is no easy thing. Four Alfa Romeo police cars pull up at the Trattoria and then the Falcones' table is surrounded by bodyguards who also eat at nearby tables. Sig Falcone takes many meals at police barracks with his guards.

What is this like and how can it ever be different?

"We are not fearful. I am a magistrate, you understand, and I must do my job. This is my work," says the *self-effacing* judge.

It is more than his work: it is his life. And the curious, even eyebrow-raising fact is *that, aside from a few other* anti-mafia magistrates around Italy. Sig Falcone's team of magistrates in Palermo numbers only five, while the mafia has annual revenues of billions of dollars, tens of thousands of collaborators with entrenched control of Sicily and other parts of Italy. Why don't the politicians in Rome therefore immediately treble or quadruple the number on anti-mafia magistrates?

"I don't know the answer to that question," says Judge Falcone. "That is a question you might ask in Rome."

ALAN FRIEDMAN

New scandal over 'black' funds

Corruption and politics

SARI GILBERT

SCANDALS are nothing new in Italy. Indeed, after more than a decade of reporting here, an overflowing "scandals" file is the biggest on a reporter's shelf, with yellowing newspaper clippings recalling a variety of unsavoury cases ranging from fixed soccer games, over-priced earthquake-remedy prefabricated buildings, and unscrupulous surgeons accepting bribes from patients eager to circumvent long waiting lists for hospitalisation.

Other reports with banner headlines tell of kickbacks taken by public officials for the sale of aircraft, sleazy oil *import* deals and airport construction. . . .

But the latest scandals, in particular one involving millions of dollars in unregistered or "black" funds accumulated and allegedly spent by managers of the giant state holding company, IRI, and another which saw six city officials in the Communist showcase city of Bologna arrested on bribes charges involving largely unattainable building licences, suggest more than ever before that corruption in Italy is not just one of social evils shared by most countries but a built-in part of the Italian political system.

The "*bustarella*," or small envelope stuffed with money that, in Italy, traditionally has changed hands when business firms, and less frequently individuals, find employees of a creaking and underpaid Civil Service otherwise "unable" to act rapidly, has long been a fact of life here.

'Not a sin'

In a country not known for its excellence in organising a streamlined and impartial administration, over the years —decades, centuries, perhaps— gratuities and other tangible signs of appreciation have been accepted by many as a necessity (in their book on Italy, John C. Adams and Paolo Barile even claim that, in 1959, Pope John XXIII said it was not a sin to bribe a public servant if, by doing so, one made the system function better).

But despite the outcry that occasionally hits the front pages, few people in Italy are bothered by such practices, convinced, no doubt correctly, that to some extent they exist in most human societies.

What is most troubling, they say, is the explosive way in which the country's extensive state-owned economic interests have stimulated the predatory attitude of Italy's political parties and many of its politicians.

Undoubtedly, the majority of Italian politicians and public administrators are honest men and women struggling to make and apply the thousands of laws, "*leggine*" or mini-laws and regulations that govern daily life in a country torn between rampant individualism and over regulation.

In recent years, under the particular urgings of groups like the Republicans, the Radicals and the Communists; growing attention, in Parliament and out, has been paid to the "moral question." Yet despite the growing awareness of the dangers and moral implications of *lottizzazione*—an Italian spoils system which views the state's holdings as a gigantic pie to be divided among the country's most powerful parties — the Italian system has developed into a full-blown *partitocrazia* or party-ocracy, in which raking-off the top to fill party pockets has become more the rule than the exception.

Cash crisis

The parties' financial needs grow incessantly outpacing by miles the funds the government allocates to them for running expenses, and increasingly they must push their tentacles into more and more areas of Italian life. The fact that the same parties have been in power and the same in opposition for nearly 40 years means that there is rarely a clear-out of skeletons in the cupboard.

"These days, kickbacks have become the drug of the party system, the beginning and the *end of many political* careers," was the coment of one disgusted Socialist politician. The effect of this unedifying trend has been magnified several times over by political decentralisation, which has increased decision-making power regarding infrastructure, public works and other investments at the municipal, provincial and regional levels.

"The Italy of political parties is in handcuffs," a top Italian political commentator wrote, not long ago. And, in fact, a look at the Italian "scandals map" suggests that today, as never before, Italian courts are being forced to deal with a growing number of Italian politicians or public officials under arrest, investigation or indictment for corruption of some form.

In the IRI "black funds" scandal, broken by the investigation of a deep-probing Milanese judge, Gherardo Colombo, but subsequently transferred to Rome (where politically "sensitive" magistrates may turn out to be more *understanding*), those charged or under investigation include a former IRI chairman, the Christian Democrat Senator Guiseppe Petrilli; Fausto Calabria, IRI's former director-general; Sergio de Amicis, former managing director of Condotte D'Acqua, one of IRI's construction companies; and Ettore Bernabei, managing director of Italstat, an IRI holding company for the construction industry.

Sig Beranabei, one of the Christian Democrats' most powerful and trusted state managers and the former head of Rai, the Italian state radio and television network, and the others are alleged to have distributed secret funds totalling more than L300bn ($150m) among friends, families; newspapers and, of course, political party coffers.

They are alleged to have done it by appropriating the interest on funds intended for the financing of construction projects.

The IRI mess, which could take months to untangle, is merely the latest in a series of scandals involving members of the body politic, including some from the Communist Left, a group which, over the decades, successfully increased its strength largely by its effective sponsoring of the so-called "moral question."

Although Communist Party officials were, themselves, not involved, the recent arrests in Bologna elicited a spate of headlines about "red kickbacks" from newspapers of differing political persuasions.

In Turin, where another Left-wing city government recently came to grief, the Socialist deputy mayor, three Socialist commissioners, a Communist Party official and several Christian Democrats have been charged with taking graft from a wheeler-dealer who is said to be linked in a variety of business deals involving the city administration. And also centred in the surrounding Piedmont region is the still-smouldering oil scandal which saw politicians, oil importers and customs police officers conspiring to avoid some L544bn ($272m) in taxes, a significant proportion of which is said to have ended up in generous political "donations."

In San Remo six Christian Democratic city officials, including the mayor, and three other local politicians from centrist parties were charged in 1982 with draining monies from the intake of the city's casino.

In Savona, the Socialist president of the Ligurian region and a group of aides and acquaintances recently went on trial on various counts of corruption involving local real estate. In Nonantola, near Modena, in central Italy, an investigation is under way regarding suspicious changes in the city's zoning law that overnight changed agricultural lands into those suitable for urban construction, landing two former mayors and several city commissioners behind bars.

In Florence, Socialist officials and party functionaries are suspected of taking graft in city real estate purchases.

Further south, the situation is no better. In Naples, allegations that heavy kickbacks were invovled in post-earthquake reconstruction subcontracts landed one local Communist official in jail and saw Communist deputy Andrea Geramicca *placed under investigation*.

Campaign

Previously two Social Democrats and a Republican, all city comisisoners, were charged with a role in the so-called "cemeteries racket" in which kickbacks were received in exchange for the prompt assignment of scarce burial plots.

The massive anti-Camorra blitz of June 1983 saw a half-dozen local officials fall into the giant police net. Other scandals have surfaced in Puglia and Calabria, where local officials are said to have become rich by helping businessmen and farmers win state and EEC financial grants to which they simply were not entitled.

In Sicily last month, an arrest warrant for embezzlement was issued for former Christian Democrat mayor, Giuseppe Insalaco.

Others arrested in recent years include the Christian Democratic president of Palermo Province, the city's Christian Democratic finance commissioner and the former Christian Democratic mayor of Trapani.

The list goes on and on. But the arrest in Palermo last fall on charges of Mafia activity of Vito Ciancimino, another of the city's former Christian Democratic mayors and public works commissioners, and of financiers Nino and Ignazio Salvo, who for decades had run the region's autonomous tax collection agency, was a disturbing confirmation of how, at its very worst, the system lends itself to the creation of what has been termed "the politico-Mafioso lobby."

Part of the problem may stem from Italian history. Centuries of empire and feudalism inevitably cultivated in those in power here an attitude which looked at the realms over which they ruled as personal *fiefdoms* available for domination and personal plunder rather than as a social organism to which obligations were owed. That attitude has left a heavy heritage with which the exponents of a *res publica* must continually vie in opposition.

But, at this point, the question of origins is perhaps less *important than* the pernicious effect on society as a whole wrought by the jaded views that most Italians have of the country's rulers.

"What can we expect in general human behaviour," mused a high-ranking state official the other day, "if most citizens believe, rightly or wrongly, that those in power are unethical and dishonest?"

Football is big business

Spectator sport

DAVID LANE

SIMPLE ENJOYMENT of the game is not enough in Italy. With football it is essential to be partisan, as the examples set by top people clearly demonstrate.

Giovanni Agnelli is honorary chairman of champion team Juventus, as well as being chairman of Fiat. Ciriaco de Mita, national secretary of the Christian Democrat Party, is an enthusiastic Avellino supporter and the film director Franco Zefferelli rarely misses the chance of putting in an appearance for Fiorentina. Italy's triumph in the World Cup in 1982 united the country as has no other event since the fall of fascism.

Neutral spectatorship is not permitted, or at least not believed, by Italy's millions of dedicated football fans. But even 2,000 years ago it was probably difficult to sit on the fence in the lions versus Christians events at the Colosseum.

"Who are you for?" insisted the ardent bar-owning Roma supporter last May, when her team was involved in the European Cup Final against Liverpool. Sportsmanlike expressions of hope for a good match, and that the best team should win, fell on unbelieving ears.

15m spectators

Outside the bar, the brick wall was turned into a chequerboard of crimson and gold, the Roma colours, and red postboxes were easily transformed overnight into dumb, faithful fans. "Grazie Roma" shrieked the huge banners which were spread between lamp posts in celebratory anticipation of a Roman night of victory.

But there were no convoys of joyous, flag-waving fans on that May evening when Liverpool cruelly and competently earned the Champion's Cup on penalties, after extra time. And the next morning, Roma supporters were faced with pavement graffiti, sprayed by followers of the capital's other team Lazio or by exiled Juventus fans, saying "Coppa dei Campioni—Scordetela" ("Champion's Cup forget it!") and "Grazie Graziani," a bitter reminder that one of the home side's top players missed a penalty kick.

"Roma was destined to lose when Graziani crossed himself before taking that kick," said a knowledgeable Torino supporter. "Putting faith in the supernatural rather than the feet is a sign of weakness in a footballer," he added. But leaving aside the fact that Sunday is the day of the big match in Italy, there is more than just a small element of religious fervour in Italian football, whose famous players are treated as stars and revered as demi-gods.

Yet, despite massive television coverage during and after the matches, gate numbers at the grounds have not suffered. In the 1983-84 season Italy's 16 first division and 20 second division clubs attracted a total of 15.5m spectators.

While this was less than the previous year when 17.6m soccer enthusiasts were drawn through the turnstiles, helped by the national side's 1982 World Cup victory in Spain and by the arrival of star foreign players, it was still slightly higher than the 1980-81 and 1981-82 seasons.

After the 19th of this season's 30 Sunday appointments with first division games, total gate numbers were about 200,000 up on 1983-84, so Italians continue to be loyal to the live game.

Moreover, the figures show that Italians are willing to dig deeply into their pockets in order to soak up the excitement and atmosphere which only the stadium can give. In 1983-84 they spent L142bn (about £65m) to watch first and second division matches.

Already, by mid-February, takings at first division matches this season had reached L76bn, an increase of L15bn on last year. The big gain has been made with increased season ticket sales which now account for over one half of gate revenue compared to 40 per cent last year.

With the small change left after a season ticket investment of between L200,000 and L700,000 (about £90 to £320) for 15 games, or L25,000 (£11) for a standing place on the terraces to see one match, dedicated football fans can relive the magic of Sunday's game in Monday's papers.

Even the staid Corriere della Sera bows to popular taste by giving eight of its 24 Monday pages to football reports, and La Repubblica which does not publish on Mondays has three football pages on Tuesday.

UK players

But "media megakill" is supplied by the specialist press. Ask for the Corriere at a Rome newstand and the odds are better than evens that Corriere della Sport will be passed across the counter. This is central and southern Italy's counterpart to Milan's pink Gazzetta dello Sport. Both papers publish daily with print runs of about 400,000, and although they are as large as the Corriere della Sera in size and circulation, their 20 to 30 pages are given over entirely to sport, and, even in summer, this means mainly football.

Denmark's Elkjaer of Verona team (right) in action against Turin's Juventus. On the left are Gaetano Scirea and Marco Tardelli of Juventus. The match ended 1-1

It is an encouraging sign for the British game that the scoring by Italy's football journalists has kept former Portsmouth striker Mark Hateley, now wearing the red and black strip of AC Milan, way out front as the best centre forward in the Italian league.

Ray Wilkins, ex-Manchester United and now wearing Milan's number 8 shirt, holds second place for his position on the field. And Graeme Souness, ex-Liverpool and now with Sampdoria of Genoa, has fourth ranking.

Moreover, Hateley has a substantial lead over other foreign stars like Platini, Maradona, Zico and Rumenigge in Corriere dello Sport's "Super Straniero" table compiled from the votes of the fans.

Football is a massive business in Italy. Two large-circulation national newspapers and a host of other publications flourish on the back of the sport and the state enjoys the lion's share of the gross takings of the football pools, Totocalcio, on which about L18bn is betted every week. And if soccer is big business for the hangers-on, it is obviously even bigger business for the clubs themselves.

Claudio Sposito, deputy manager of Barclays Bank in Milan and a keen football follower, has recently completed a detailed study of the finances of Italy's major clubs. Sposito's work shows, contrary to the widely held belief, that clubs are far from being economically unhealthy sporting giants.

In 1982-83, all but one of the 16 first division clubs showed an operating surplus, with Juventus and Roma both exceeding L6bn.

Sponsorship has provided a boost to club's income. For the past four seasons clubs have been allowed to carry advertising on jerseys, and both they and the players have exploited this economic opportunity to the full.

Again Juventus leads, with earnings of L4.5bn in 1982-83 from sponsorship (white goods maker Ariston), league contributions and other commercial activities, some way ahead of the Milanese club Inter which collected L3bn from the same sources.

The clubs, however, need every billion lire they can find, in order to sign and pay star players to produce the results and attract the crowds. Two years ago the Udinese club, sponsored by crisis-struck Zanussi, found L6.5bn to acquire Brazilian star Zico. And last year Napoli trumped this by paying L20bn for Argentinian Diego Maradona.

A bargain

By comparison, Mark Hateley, who cost L1.5bn, plus L130m annual salary for three years, represents a remarkable bargain for Milan. The British player is now valued at L5bn.

With large sums like this, and international boundaries being crossed, it is not surprising that Italy's footballing fraternity is widely suspected of being offside on fiscal regulations and exchange controls.

As Claudio Sposito discovered, the financial statements prepared by the clubs are certainly not transparent, and the exact amounts and mechanics of payment are kept well out of the floodlights.

While black payments may be a stain on Italian football (and allegations of bribes and bought games have not been absent over recent years), another proven and equally menacing threat darkens the scene. Football violence has taken firm root at Italian grounds and stabbings are far from rare.

Chronic lack of finance

Music and the arts

JENNIFER GREGO

TOURISTS who buy a widely-available guide to the museums and galleries in Rome will find illustrated on the cover the famous statue by Canova of Paolina Borghese.

But if they try to see the statue, they will be disappointed. The Villa Borghese, which besides being one of the most pleasant, and possibly the best patrician art collection in Rome, has been closed since early last year, because of the precarious state of its ceilings. There is stil no reopening date.

This is not the only case: the archaeological museum in Florence is still awaiting repairs for serious flood damage in 1966, while another important collection of Etruscan remains at the Villa Giulia in Rome is also closed. The year 1985 has been designated "The Year of the Etruscans."

In the ten years since the Ministry of Arts was set up, the problems have become, if possible, worse. Neglected and rundown museums, lax security and a shortage of training schools for students of art restoration, are some of the most serious difficulties.

The average Italian's expectations of a state institution are anyway extraordinarily low and the general collapse of the state's direction of all the arts may be due partly to this attitude. The public, expecting little, puts up with too many delays.

The best artistic talents soon tire of the state system, discouraged by the stifling bureaucracy and resentful of the time wasted in balancing internal political factions, rather than being able to face the urgent problems of protecting and preserving Italy's exceptional art riches.

A senior art historian on the staff of the Gallery of Modern Art in Rome, complaining of the lack of initiative in promoting exhibitions, asked for a secondment to a foreign museum to learn how projects were completed elsewhere. She was brusquely refused on the grounds of "lack of funds."

Chronic lack of funds is undoubtedly a major reason for slow progress. For example, construction work has been going on to enlarge the Modern Art Gallery in Rome for the last ten years and is still incomplete (its electrical system dates largely from the official opening in 1915). Work is also still going on at Palazzo Barberini, designated 20 years ago as the future National Gallery of Antiquities, but still mainly a place for conferences and an officers' club.

Last year, Italian museums and galleries earned little more than L5bn (£2.3m) in entrance fees. These fees have been absurdly low, and Parliament recently approved a proposal to double them.

The Travel Agent's Association and the National Tourism Association here have calculated that "art" tourists bring in as much foreign exchange each year as do those who go to the Ligurian Riveria—and more than those who go to the Dolomites.

When it looked recently as if the Interministerial Committee for Economic Planning might not, after all, award the Arts Ministry the expected L610bn of the investment funds available (worth, in all L3,000bn, the Minister, Antonio Gullotti, protested fiercely to the Budget Minister, PierLuigi Romita, putting forward strong arguments: the serious state of degeneration of buildings, churches and theatres throughout the country; the certain economic advantages that would come from the increase in tourism, the employment of skilled restorers and incentives to further research of new restoration techniques.

Inadequate

The latest announcement is that L175bn will be available for Italy's artistic heritage, of which L132bn will go directly to the Arts Ministery to be used at its discretion. This is considered "hopelessly inadequate," according to critics of the policy.

The lack of public initiatives in the past few years has meant that the private sector has become more active. There is a danger, however, that projects could be chosen as much for their publicity value as for the long-term public interest.

So far, there seems to have been a happy combination of both.

Olivetti has sponsored not only the restoration of Leonardo's "Last Supper" in Milan (the work began five years age and is expected to take eight in all), but also organised the restoration of the Frescoes by Masolino, Masaccio and Filippino Lippi in the Cappella Brancacci in the Carmine Chuch in Florence, as well as the "Horses" and the exhibition, "The Treasures of S. Marco" in Venice.

But even more laudable is the action of four private individuals who, in 1975, launched an Italian version of the National Trust (Fondo Italiano per l'Ambiente), based on the English pattern. They have acquired 16 properties but have only 1,500 subscribers so far.

Another is Fiat's imaginative action in bringing an artistic director of the stature of Pontus Hulten to head their new arts centre at Palazzo Grassi in Venice.

Restoration work will be going on all this year, including that of the theatre, unused for ten years, which seats 700. The arrival of Hulten (director and founder of the Moderna Museet of Stockholm, inventor of the Beaubourg in Paris and, most recently, of the Museum of Contemporary art in Los Angeles), is exactly what Italy needs to let a little light into the somewhat inward-looking and élitist art establishment here.

Stimulating competition from the private sector can do no harm to the musty and disordered State administration, and much for the city of Venice. Hulten plans to do for exhibitions something of what Kenneth Clark achieved with his "Civilization" series; provide the links between the visual arts, music, literature (and even dance) of a period—the best form of popularization.

Italy's 13 established opera companies show great courage in the face of much insecurity. La Scala in Milan describes itself, not without irony, as "an uneconomic public company."

Last November, La Scala director, Carlo Maria Badini, in presenting less than a month before the opening night the programme for the 1984-85 season, explained that events had been so bad at the end of the summer that L6bn had had to be borrowed from the local authority to pay the employees' salaries.

Even then, in a year designated by UNESCO as "European Music Year," which should have launched a non-stop season, he was only able to go as far as July, due to the understandable difficulty of drawing up a programme without knowing how much money La Scala would have for 1985.

The director of the Rome Opera, Dr Alberto Antignani already calculates that the allocation for music will be L80bn too little. He reckons that La Scala, for the period 1976-1983 has accumulated a deficit of L38bn as against Rome's L30bn and sees as one of the chief reasons for these losses the fact that both houses are forced to operate as commercial concerns in a highly competitive world. Thus, they have to commit themselves to spending high fees in booking artists in advance, while also subject to the inhibiting controls of a state concern.

Income

Dr Antignani has booked singers for as far ahead as 1988, but only has funds to cover the next month. He still does not know what his cash allotment will be for 1985. The opera is thus forced to borrow at high interest rates.

Dr Antignani also complains of the difficulty of maintaining a larger permanent staff than is needed—600 in Rome—because of strict union rules (85 per cent of his funds goes in wages, alone).

The main source of income, the box office, helps little, as prices are kept at a "political" rather than a realistic price: a stall seat costs L30,000 (£13.60), whereas Dr Antignani says a realistic price would be L300,000.

Both opera houses feel that their problems are at last being taken seriously, however, and have hopes of a more settled future.

It is not only in the art world that the strain of maintaining Italy's vast collection of historical treasures is felt. Recently, Corriere della Sera reported that the dungeons under St. Peter's, where the popes are buried, have become infested with snakes; harmless, maybe but the 26 young reptiles that were caught were already half a metre long.

Those visitors of less mettle than Indiana Jones should perhaps give the tombs a miss.

PROFILE: THE NOVELIST ITALO CALVINO

'The grand old man of Italian literature'

WHEN A MAN rides a long time through wild regions, he feels the desire for a city. Finally, he comes to Isidora, a city where the buildings have spiral staircases encrusted with spiral seashells, where perfect telescopes and violins are made, where the foreigner, hesitating between two women, always encounters a third....

He was thinking of all these things when he desired a city. Isidora, therefore, is the city of his dreams: with one difference. The dreamed-of city contained him as a young man; he arrives at Isidora in his old age. In the Square there is the wall where the old men sit and watch the young go by; he is seated in a row with them. Desires are already memories.
—from "Invisible Cities."

THESE LINES of poetic prose from the writer's own favourite novel among his two dozen books, help to explain why Italo Calvino is viewed by numerous American, British and Italian critics as Italy's best living writer of fiction.

Modest and shy to the point of being self-deprecating, the 62-year-old former resistance fighter sits quietly with his Argentine-born wife in a spacious apartment, a few steps away from the Pantheon in Rome.

"I am not really a novelist," he demurs in a typically polite denial of his recognised talent.

Calvino is best-known as a writer of moral tales, of fantasies and fables. In a world of contemporary literature often obsessed by realism and immediacy, he stands out as a creator of alternative dimensions. He says he envies those writers, particularly Americans such as John Updike and Mary McCarthy, who "take contemporary life and immediately *transform it into novels.*"

But Calvino's admirers would say that he has stumbled onto something much more exciting, an ability to invent and transform, to hold a mirror up to nature—and then write about the mirror.

Dr Pietro Citati, literary critic for the Corriere Della Sera, says the Calvino has grown dramatically since he began publishing short stories, just after World War Two. Books such as the internationally-acclaimed *If on a Winter's Night, a Traveller* show the range and depth of his imagination.

"He writes of imaginary places and worlds. He is constantly probing the possibilities of literature, but he is not a prisoner of fantasy. He is a rationalist who writes fantasy. There is never poetic abandon or surrealism," comments Dr Citati.

Italo Calvino was born in Cuba in 1923, where his parents were stationed, both scientists working in agronomy and botany. He spent the first 25 years of his life in San Remo, where his father was director of an institute specialising in tropical horticulture.

"I am the black sheep of my family," he says with a smile, "because I declined to become a scientist."

Influence

In 1945 he headed for Milan, the centre of Italy's post-war cultural renaissance. For a time he worked as an editor at Einaudi, Italy's publisher of art books and quality literature. Among his friends were the Italian writers Cesare Pavese and Elio Vittorini. Among the foreign writers who influenced him the most were Vladimir Nabokov and, of course, Hemingway.

"Hemingway was the god. He was the discovery for my generation, for his style, for his persona, for his life experience," recalls Calvino. Hemingway and Calvino first met in 1948, on the shores of Lake Maggiore, where somewhat predictably, they went fishing together.

Ezra Pound, another American writer who immersed himself in Italian life, gets short shrift from Calvino.

"I didn't know Pound because he was on the other side, with the fascists. He was a very intelligent man, but always a fanatic. I remember he had these strange ideas about economic theories which he kept forcing on everyone."

Calvino's first novel, *The Path to the Nest of Spiders* (published in the UK by Collins in 1947), was a naturalistic work, a fairly humdrum affair compared to his later writings. But even in the early days the critics began referring to Calvino's flair for fantasy. Critical acclaim came in 1951 with the publication of a novella, *The Cloven Viscount.*

The author feels that his most accomplished novel is *Invisible Cities* (1972), which consists of a beautiful series of imaginary cities which are described by Marco Polo to Kublai Khan. But a number of foreign critics were startled—there is no other way to put it—by the inventiveness and intellectual force of the 1979 *If on a Winter's Night, a Traveller.*

Winter's Night is different from any other book by Calvino. It is a fiction about fictions, a novel which contains 10 first *chapters of novels which,* for one reason or another, never continue. It is a love story between the writer and the reader as well as between the first-person and the second-person narrative. Calvino spent two years on *Winter's Night,* for once blocking out any other project to devote himself to what he calls a "hyper-novel."

Winter's Night is a kind of homage to the novel. Calvino *describes it as "an homage to* the common reader." The hero is indeed the common reader, fascinated by the novel, by plot and style. It would be futile to try and detail why *Winter's Night* was described, for example, by the New York Times book review as "the most astoundingly inventive novel ... to come across in a long time."

But perhaps a few lines might *provide a sense of the book:*

The novel begins in a railway station. A locomotive huffs. Steam, from a piston, covers the opening of the chapter, a cloud of smoke hides part of the first paragraph. In the odour of the station there is a passing whiff of station cafe odour.

There is someone looking through the befogged glass. He opens the glass door of the bar. Everything is misty; inside, too, as if seen by near-sighted eyes, or eyes irritated by coal dust. The pages of the book are clouded like the windows of an old train, the cloud of smoke rests on the sentences.

Calvino at 62: modest and shy but internationally admired

Calvino says the writing of *Winter's Night* was "terrible work, very had to do." It was an idea he had nurtured for some time.

Complexes

"When I have an idea fr r a novel I sometimes let several years pass before I start writing. Or I start and then decide it is too difficult—and I put it aside for awhile."

Sitting quietly on a large, black leather divan, surrounded by a spectacular collection of African artifacts ("my wife's, not mine,") Calvino lifts a hand to his face and ponders when asked about his views on American politics and culture.

"This Reagan epoch is a period in which America is trying to escape its complexes, which stem from Vietnam, the Kennedy assasinations and Watergate.

"Personally, I preferred Jimmy Carter, especially for his human rights policies. But he was weak—I have to say that I feel better with a strong America."

Among the living writers whom he admires are the names of Salman Rushdie, Saul Bellow, John Barth and Anthony Burgess. When asked about D. M. Thomas. The author of *The White Hotel,* he shakes his head and says "no, no."

After his semester at Harvard, Calvino hopes to finish a novel which, he says, will address the subject of "possible worlds, of potential worlds."

And is there any particular *message he seeks to convey in* his writing?

The grand old man of Italian literature stares into the space of his Rome apartment and then answers with a wry smile: "The second principle of thermodynamics."

Pardon?

"The second principle—all the universe, which is still expanding, will one day become heat, a cloud of heat, the end of the world."

And therefore?

"And therefore there is no *promise in the world,* and so we must create an alternative universe, a means of escaping the *inevitable tendency of the universe.*"

The alternate universe is, presumably, in the mind. The imagination. And if this is Calvino's message, then he has *succeeded admirably.*

ALAN FRIEDMAN

Private TV networks expand rapidly

Big changes in media ownership

Television and the Press

ALAN FRIEDMAN

THE PAST YEAR has seen major changes in the ownership of both private television and newspapers, and the changes point to a steadily rising influence for the private sector in the Italian media. Whether this will lead to greater independence and objectivity in Italy's sometimes skewered coverage of financial and political events is another matter entirely.

The two most significant changes in ownership are the following: last August the *private television empire of* Sig Silvio Berlusconi, the Milanese entrepreneur who has overtaken the state networks in terms of both advertising *revenues and audience,* grew larger as he acquired from the Mondadori publishing group control of Retequattro, a commercial network. The second change was that, after two years of court-appointed receivership, the Rizzoli publishing group, which controls the leading Corriere della Sera newspaper, emerged from receivership and was purchased by a consortium of private businessmen including the Agnellis, Pirellis, Montedson and Bonomis.

Fierce struggle

The consortium which purchased the Corriere della Sera, following a bitter struggle among political parties over who would control the prestigious newspaper, has guaranteed Dr Piero Ostellino, Corriere editor, complete editorial freedom. This kind of guarantee is of the *utmost importance in a country* where Press coverage can at times be manipulated, even directed by political and business interests. But it is too early to tell whether the Corriere, which suffered greatly when in the 1970s it was controlled by the sinister forces of the late Sig Roberto Calvi of Banco Ambrosiano and his P-2 freemason associates, can resist the inevitable temptations of newspaper proprietors to offer their "guidance."

In fact, the truth about the print media in Italy is that, while there are many newspapers with lively coverage of domestic and foreign affairs, it is occasionally difficult to accept the word of a newspaper on a given subject. "You must always look for the motives behind the stories here in Italy," comments a financial journalist who writes for Il Sole 24 Ore, the pink-coloured and respected Italian answer to the Financial Times.

Il Sole is owned by Confindustria, the Italian employers' association, and while its economic and business coverage is generally the most complete of any Italian newspaper, it rarely engages in investigative journalism. "Some papers just don't print stories that could embarrass a major Italian company. It is not allowed," explains one Milan-based journalist, who asked not to be named.

It would be unfair to suggest that Italian press coverage is normally lacking in objectivity. But Italian journalism operates under criteria which are very *different from the Anglo-Saxon* tradition. For example, it is not viewed as unethical for a journalist to work at the same time as a public relations "adviser" to a company he may be writing about, and the Italian tradition is far more deferential than would be the case in the U.S. or Britain.

The ownership of Italian newspapers is worth noting. La Stampa, the respected Turin-*based daily, is* controlled by Fiat, the automotive group. La Repubblica, the Rome-based centre-left paper, is part of L'Espresso publishing group, which is 11 per cent owned by Sig Carlo de Benedetti, the *Olivetti chairman. Il Giorno,* a middle-brow Milan daily, is controlled by ENI, the Italian state energy group which also controls Agenzia Giornalistica, Italia the wire service. Each of the major political parties owns a newspaper—L'Unita is the Communist party organ, Avanti is the Socialist paper and Il Popolo is owned by the Christian Democrats.

In television, the IRI state holding company owns the three state networks run by Radiotelevisione Italiana (RAI). The tradition, now changing, has been that the news broadcasts from RAI Uno have tended to be less critical of the Christian Democrats, while the Socialists have had more influence at RAI *Due.*

But the most important development in Italian television has been the amazing growth of Sig Berlusconi's private networks. In 1980 he established Canale 5, a network which has relied heavily on variety shows and imported U.S. programmes such as Dallas and sports. The success of Canale 5 and Italia Uno, another Berlusconi network (Retequattro is the third) has been phenomenal.

80 stations

The only problem is that until last autumn, under Italian law, it was illegal to broadcast privately on a national basis. Thus Sig Berlusconi developed a network of 80 relay stations around Italy and shuttled video tapes around the country to create—successfully—the illusion of a national network.

So successful has Sig Berlusconi been that last year his advertising revenues (net of agency costs) totalled L680bn, against L500bn for RAI. And, according to audience statistics for last December, the three Berlusconi networks captured 43.6 per cent of the 26.9m prime-time viewers, while the three RAI networks secured 39.8 per cent of the audience share.

Last autumn, however, three magistrates temporarily stopped Berlusconi stations from broadcasting, alleging they were breaking the law. This, in turn, led to a Government decree from the Prime Minister, Sig *Bettino Craxi, who is generally* viewed as sympathetic to private television. The decree which will now last for six months, finally legalises the private networks. A new proposed law, will, if passed, allow the private stations to broadcast live news reports for the first time.